



ANNUAL FINANCIAL REPORT **2017**  
**FLUXYS**

**Annual Financial Report 2017**  
**Fluxys**



## **8th financial year**

### **Reports to the Ordinary Annual General Meeting of 8 May 2018**

In accordance with the Belgian Company Code, the Board of Directors is pleased to present the annual report for the 2017 financial year for your company and the group and to submit for your approval the annual accounts for the period ending 31 December 2017.

Significant events after the balance sheet date:

- Fluxys and Snam become sole shareholders of the Interconnector pipeline, page 42;
- Fluxys takes over the concession for providing LNG as an alternative maritime fuel at the Port of Antwerp, page 55;
- Fluxys and the Colruyt Group team up to look into building a power-to-gas facility on an industrial scale, page 57.

#### **Declaration regarding the financial year closed on 31 December 2017**

I, Pascal De Buck, Managing Director and CEO, hereby attest that to my knowledge:

- Fluxys' financial statements, drawn up in accordance with the applicable accounting standards, give a true and fair view of the company's assets, liabilities, financial position and profit or loss and those of the companies included in the consolidation scope;
- the annual report gives a true and fair view of the development and performance of the business and of the position of the company itself and of the companies included in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

Brussels, 28 March 2018

Pascal De Buck  
Managing Director and CEO

- » **Major shift in the provision of flexibility on the North-West European market: Fluxys' infrastructure plays key role**
  - >> page 42
  
- » **Dunkirk LNG terminal now in use**
  - >> page 48
  
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- » **Trans Adriatic Pipeline is well on track**
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# I. ANNUAL REPORT

## Foreword

**“Passionate teams that have fully committed to a proactive approach, reliable infrastructure and services, competitive tariffs and satisfied customers: this is what helped Fluxys to make 2017 yet another successful year. The company has also looked ahead and has set the stage for healthy growth in the future through a sharper vision and mission.”**

### Honed vision and mission

In 2017, the Fluxys group assessed its vision and mission in light of two fundamental turns that the energy sector is taking. On the one hand climate policy is setting out a bold transition to a low-carbon society with widespread energy efficiency and in which renewable energy plays an increasingly important role. On the other hand prospects for natural gas demand differ across regions. In Europe expectations are rather stable, with demand rising in some regions and declining in others. Outside Europe, however, demand in most regions is expected to increase.

Fluxys' honed vision and mission provide a clear, concise response to both developments. The advantages offered by gas and gas infrastructure make them an integral part of the solutions needed for a low-carbon economy and better air quality. With regard to the outlook for natural gas demand, we are also setting our sights outside Europe, though the latter remains our core market.

## **A strong year at both commercial and operational level**

2017 was a strong year for Fluxys, both commercially and operationally, in a market for gas infrastructure capacity in Europe that is increasingly becoming short-term. Thanks to a customer-oriented approach and continued focus on competitive tariffs, the Fluxys group companies successfully satisfied wide-ranging demand for capacity resulting from price differences between gas trading places. In addition, the Dunkirk LNG terminal began operations, which also gave rise to the start of long-term contracts for the Dunkirk-Zeebrugge connection.

At the same time we focused fully on the group's investment projects: the construction of the TAP pipeline in Greece, Albania and Italy, the fifth storage tank at Zeebrugge LNG terminal, and the reverse flow project in Switzerland and Germany have all kept pace. Fluxys also became a partner in the EUGAL pipeline project in Germany, strengthening our presence in Europe's new supply corridors in line with our honed vision and mission.

## **Major investment in new capacity but dividend stable**

In 2017, the group's activities generated turnover and operational cash flow similar to those the previous year. Investment increased and mostly went to projects for new capacity that will be commissioned at a later date and will only generate revenue in the future. Nevertheless, Fluxys is proposing a dividend similar to that for the previous financial year.

## Europe is our core market but we are also setting our sights further afield

One of the key points of our honed vision and mission is that Europe will still require additional supply capacity even if demand for natural gas would stagnate or decline over time. Natural gas production in Europe continues to decline, and European energy policy seeks to diversify supply sources while producers look into diversifying their supply routes. As such, Fluxys is firmly committed to its strategy to be present in the new supply corridors into Europe.

At the same time, we are expanding our sights outside Europe, where a sharp increase in demand for natural gas is expected in many regions. Fluxys is currently one of Europe's reference partners for gas infrastructure projects and we want to develop a similar role on markets outside Europe as well.

## Gas and gas infrastructure integral to solutions for the future

In light of Europe's climate and air quality policy, Fluxys sees gas and gas infrastructure playing a central role in both the short and long term. Natural gas has the best emissions profile of any fossil fuel. Switching to natural gas for heating, transport and industry therefore immediately cuts emissions of carbon, particulate matter, and other substances affecting air quality. In the medium term, carbon emissions can be reduced further as we progressively introduce increasing amounts of green gas in our infrastructure.

Gas, gas infrastructure and gas technology are also crucial assets for the entire energy system. Firstly, they enable renewable energy to integrate and further develop in the energy system. As it goes, natural gas-fired power plants provide the flexibility to serve as the necessary back-up for the variable production of wind or solar power. They can also supply baseload capacity to replace the nuclear, coal and lignite-fired power plants that are set to be decommissioned. Secondly, large quantities of excess green electricity converted to gas through power-to-gas technology, for instance, can be transported and kept in storage cost effectively in the gas system. Lastly, gas and gas infrastructure are particularly cost effective where energy needs are considerable, in heating, for instance, or in industrial processes requiring high temperatures. This crucial role of gas and gas infrastructure in a sustainable, reliable and affordable energy system was in 2017 the central theme which Fluxys highlighted at a range of forums and among stakeholders in Belgium and abroad.

In order to shape this sustainable future, Fluxys remains fully committed to the further development of infrastructure for gas as an alternative fuel for transport and to supporting innovative gas applications. Fluxys for that matter recently became active in the LNG supply chain for vessels in the port of Antwerp. We are also expanding our sights to the influx of green gas and recently set up a partnership with a view to developing a power-to-gas facility on an industrial scale in Belgium.

Pascal De Buck  
Managing Director and CEO

Daniel Termont  
Chairman of the Board of Directors

# 1. Fluxys in a nutshell

## Gas infrastructure company

**Independent company.** Fluxys is a gas infrastructure company and is responsible for the development, financing, construction, operation and maintenance of gas infrastructure. The company is a key player in the international transmission of natural gas and its offering combines natural gas transmission and storage as well as the terminalling of liquefied natural gas (LNG).

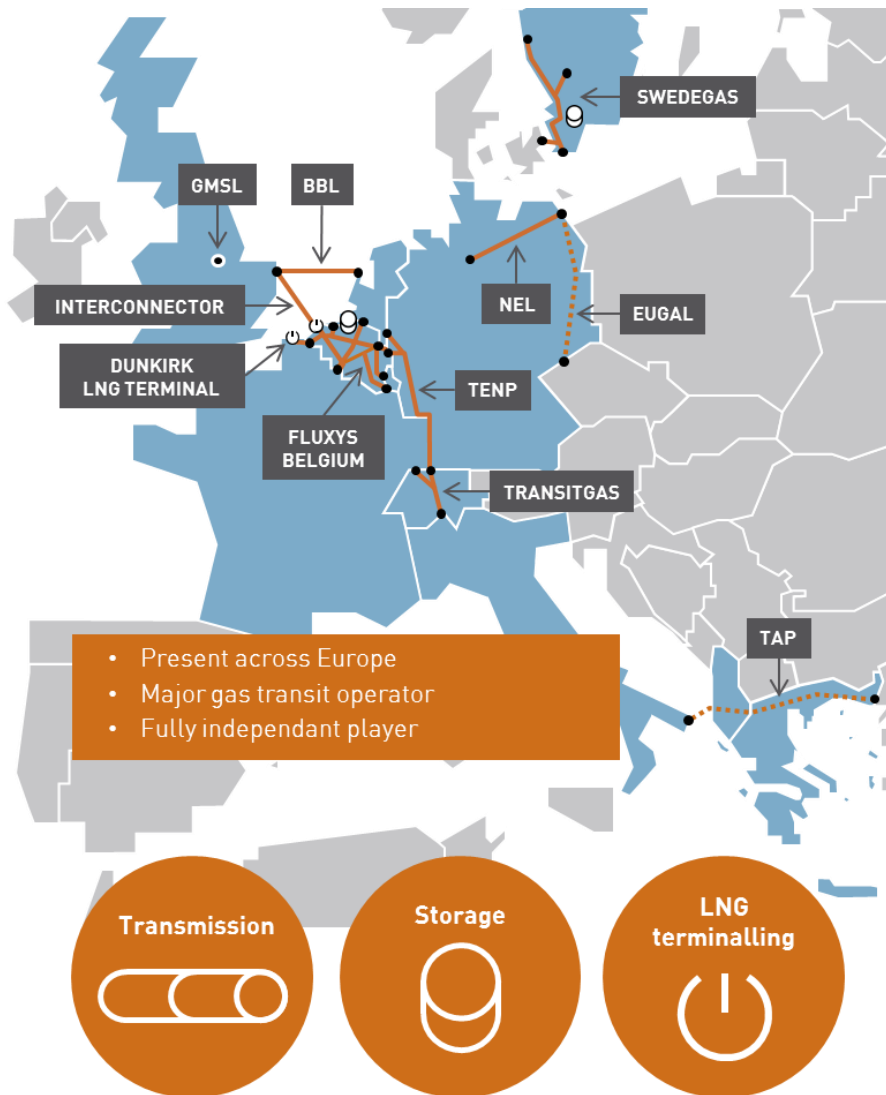
As an independent company, Fluxys has no interests in the generation or sale of energy. The company's revenue is derived from the sale of capacity on its infrastructure or associated services.

**Active in the midstream segment.** Fluxys is active in the so-called midstream segment of the natural gas chain: transmission of natural gas via high-pressure pipeline, storage of natural gas and terminalling of liquefied natural gas (LNG). We provide the link between:

- natural gas producers around the world active in the exploration and extraction of natural gas and the production of liquefied natural gas (LNG), wholesalers and traders of natural gas, and;
- suppliers who sell natural gas to end users and distribution system operators who transport natural gas at low pressure to households and SMEs.

**Present throughout Europe.** Fluxys owns pipelines and facilities for storage and LNG terminalling in Belgium and is a partner in an LNG bunkering vessel that has Zeebrugge as its home port, as well as in Dunkirk LNG terminal, the Interconnector and BBL pipelines linking the United Kingdom to mainland Europe, the NEL and TENP pipelines and the EUGAL pipeline project in Germany, the Transitgas pipeline in Switzerland, Swedegas infrastructure in Sweden, and the TAP pipeline being built between Turkey and Italy to transmit gas from Azerbaijan, and potential other sources, to Europe.





## Vision and mission

### VISION



Fluxys, the reference as a global gas infrastructure partner

As a **gas infrastructure company**, Fluxys wants to grow through partnerships with other parties in the gas value chain. As it goes, Europe will still require additional supply capacity, even if demand for natural gas stagnates or declines. Natural gas production in Europe continues to decline, and European energy policy seeks to diversify supply sources while producers look into diversifying their supply routes. Against this backdrop, we want to be the **reference partner of stakeholders in the new supply corridors yet to come in Europe**.

We are widening our scope to gases other than natural gas. In line with our view of the future energy system, we want to establish a **profound partnership between natural gas, green gas and other renewable energy sources in the transition towards a low-carbon economy**.

While Fluxys' primary focus is on its core market (Europe), the company wants to stimulate its growth by broadening its geographical scope as well. Many regions outside Europe have strong growth prospects when it comes to demand for natural gas, and numerous projects are being proposed by parties seeking cooperation with experienced partners. In light of this interest, we want to become a **preferred infrastructure partner of investors in gas infrastructure projects or integrated gas projects outside Europe**, with a focus on LNG. This development means that we can deploy our Belgian expertise in LNG infrastructure both in Europe and around the world.

## MISSION



As independent gas infrastructure partner, Fluxys contributes to a sustainable energy future and our passionate teams secure reliable and affordable energy flows into the market

For society to thrive, it needs a reliable influx of energy while climate challenges and socio-economic imperatives require this energy to be both sustainable and affordable.

Fluxys as a gas infrastructure company is a key partner in accommodating this need: **our core business is to ensure reliable and affordable energy flows into the market** and with our infrastructure we provide the capacity enabling gas to help **shape the energy system today and tomorrow**.

- **Gas infrastructure has the advantage of being extremely flexible and cost effective.** This makes gas and gas infrastructure true partners of renewable energy sources: they enable renewables to further step up their role in fostering a low-carbon world.
- **Natural gas is, both now and in the future, an affordable energy source with the best emission profile of all fossil fuels.**
- We cultivate a sustainable energy future by supporting **innovative gas applications and the development of green gas** (biomethane, synthetic methane or green hydrogen from power-to-gas) as an additional renewable energy source complementing natural gas, which further helps meet the climate goals.

We rely on our major assets to deliver on our role in society. **Our experienced and passionate teams are our first asset:** they are the source of the commitment and creativity we need to be successful in the ever-changing world of energy. Our **independence** is our second asset. As we have no interest in the production or supply of energy, we focus solely on infrastructure; this makes us attractive for partners in the gas value chain wishing to develop new projects.

## Our values

**Customer focus** - We pay close attention to our surroundings and we listen to our customers' needs. This approach provides the driving force enabling us to achieve the results we strive for.

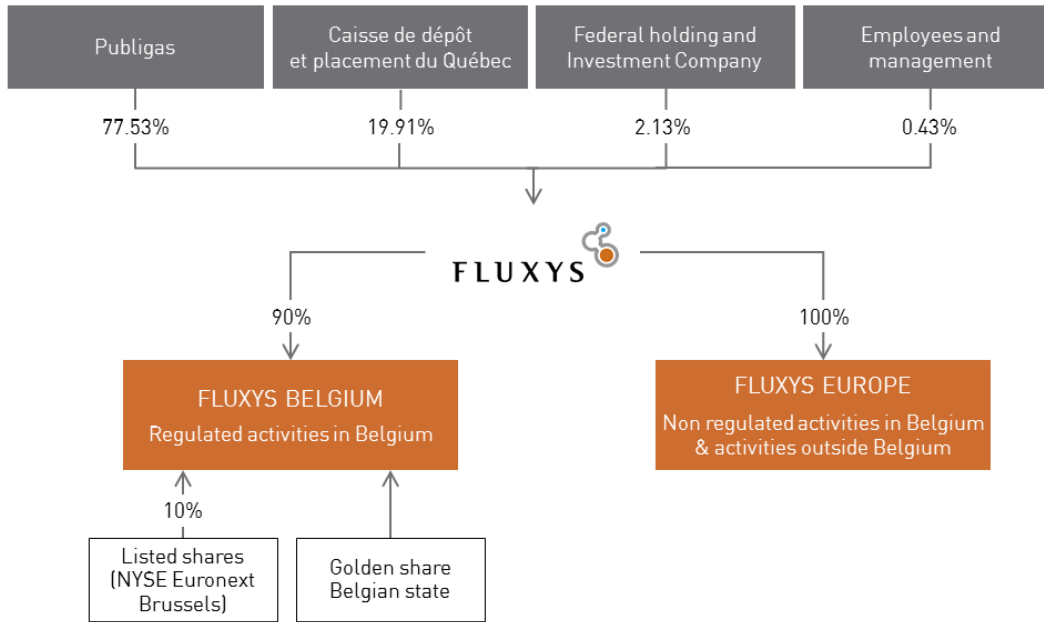
**Cohesion** - For us, cooperation and team spirit are key to jointly achieving our desired results.

**Professionalism and commitment** - We are committed to achieving our results by adopting an efficient approach and ensuring that we are guided by best practices in everything we do. We systematically enhance our expertise and continually seek creative, cost-effective solutions.

**Safety and environment** - The safety of our facilities is our top priority, because we are responsible for the transmission of a type of energy that entails risks. In the same spirit of sustainability, we strive to minimise the environmental impact of our operations whilst keeping a close eye on well-being in the workplace.

**Good neighbourly relations** - We provide services of general economic interest and have to ensure that our activities are properly integrated into society. Through open dialogue, we want to establish good relations with all those affected by the construction and operation of our facilities.

## Shareholders and structure of the Fluxys group as at 28 march 2018



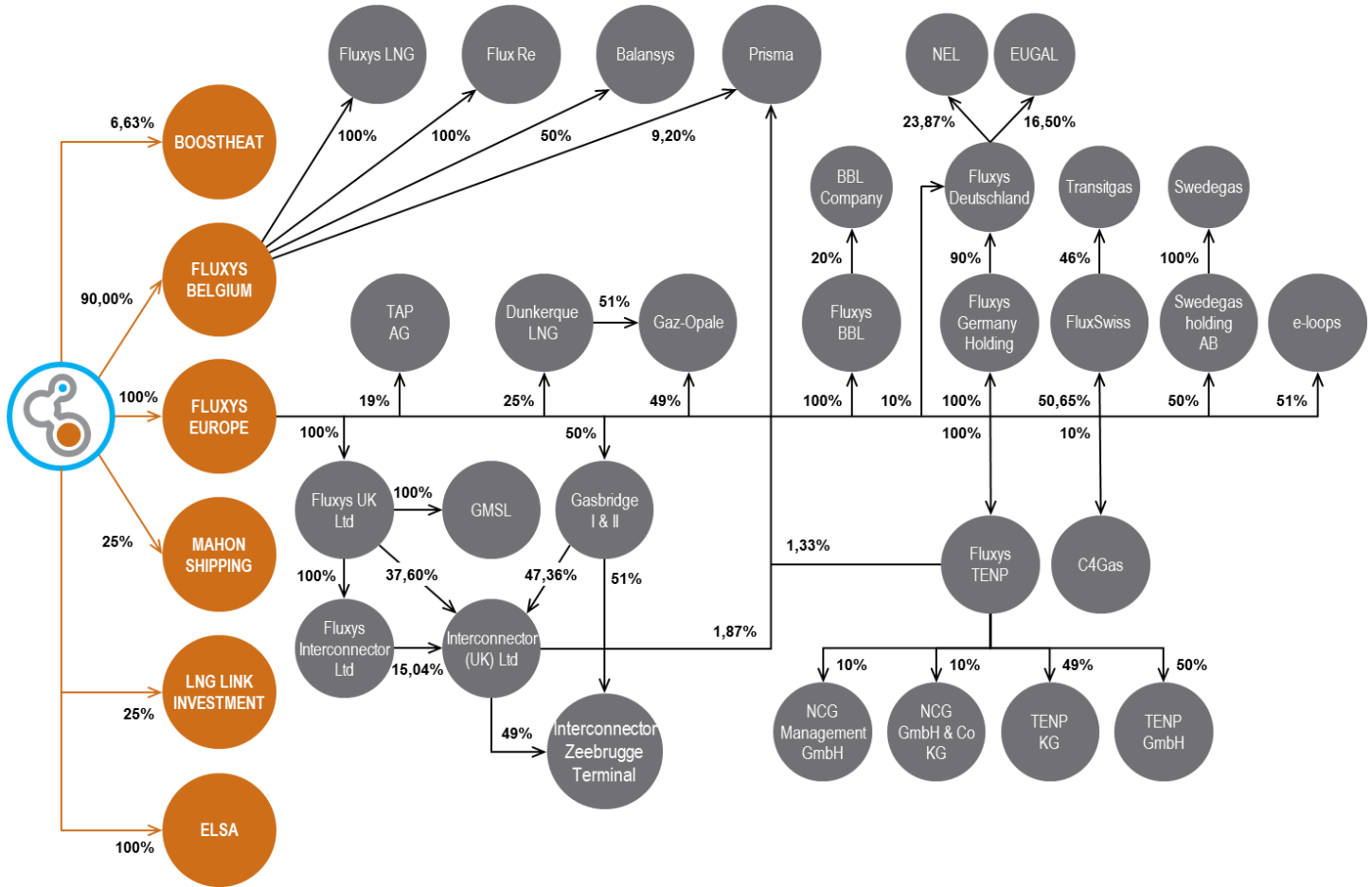
**Publigas** manages the interests of Belgian municipalities in Fluxys.

**Caisse de dépôt et placement du Québec** is a financial institution that manages funds primarily for pension schemes and public and private insurance in Canada (Quebec). Caisse has amassed considerable experience in natural gas transmission and infrastructure through its shareholdings in natural gas transmission and distribution companies in the United States, Canada and Europe.

The **Federal Holding and Investment Company** is a federal Belgian holding set up to manage, on behalf of the Belgian State, shareholdings in public and private companies of strategic economic importance to Belgium.

Since 2012, **Fluxys group employees and management** have had multiple opportunities to become Fluxys shareholders.

## Overview of Fluxys group companies as at 28 March 2018



## Composition of the corporate bodies as at 28 March 2018

### **Board of Directors**

Daniël Termont, Chairman of the Board of Directors  
Claude Grégoire, Vice-Chairman of the Board of Directors  
Pascal De Buck, Managing Director  
Jos Ansoms  
André Boulanger  
François Fontaine  
Andries Gryffroy  
Luc Hujoel  
Renaud Moens  
Chantale Pelletier  
Josly Piette  
Christian Viaene

### **Audit Committee**

Renaud Moens, Chairman of the Audit Committee  
Luc Hujoel  
Christian Viaene  
Patrick Côté  
Ludo Kelchtermans  
Pascal De Buck, Managing Director: invited in an advisory capacity



**Appointment and Remuneration Committee**

Christian Viaene, Chairman of the Appointment and Remuneration Committee

Luc Hujuel

Nele Roobrouck

Pascal De Buck, Managing Director: invited in an advisory capacity

**Management Team**

The Management Team is responsible for the daily and operational management of the company. The Management Team also makes investment proposals to the Board of Directors within the framework of the company strategy.

Pascal De Buck, Managing Director and CEO

Arno Bux, Chief Commercial Officer

Paul Tummers, Chief Financial Officer

Peter Verhaeghe, Chief Technical Officer

## 2. Gas and gas infrastructure: crucial for the energy future

### The energy transition: three fundamental challenges

In line with the Paris Agreement (COP21), the EU has set a challenging target concerning the reduction of greenhouse gas emissions: by 2030, these emissions must have fallen by at least 40% compared to 1990 levels. The EU also intends that, by 2030, renewable sources will account for 27% of all energy generated and that energy efficiency will grow by 27%. Furthermore, with its *Clean Air Policy* the EU is committed to combatting air pollution, which according to estimates is responsible for around 400,000 premature deaths every year.

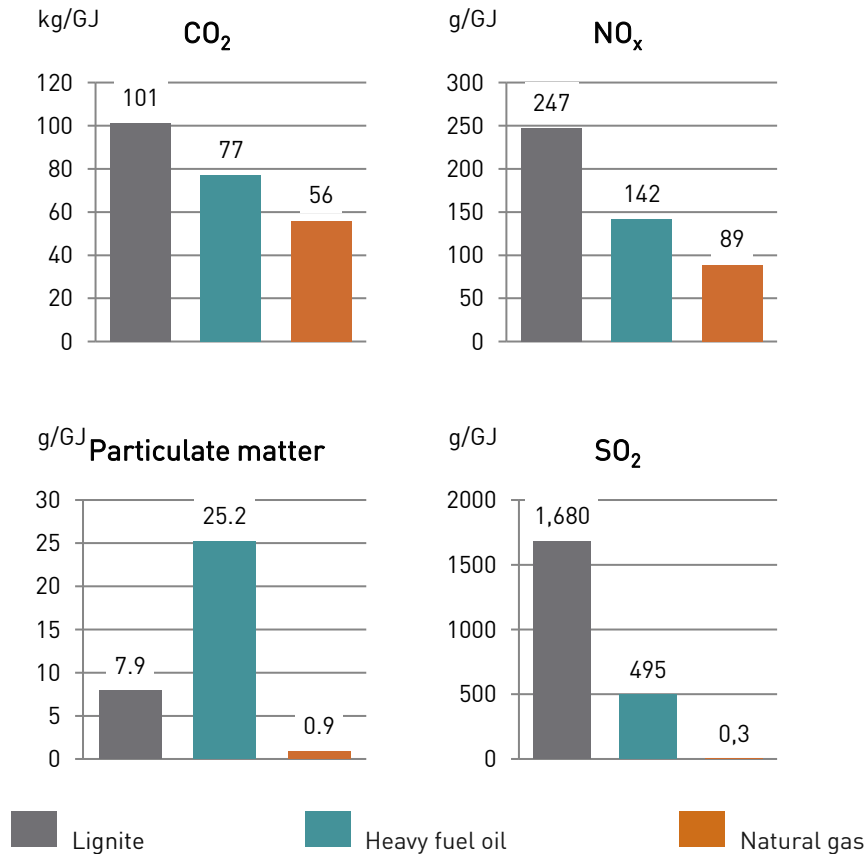
The energy transition is key to achieving these aims, and poses three fundamental challenges:

- Securing sustainable energy that spares both climate and air quality
- Further guaranteeing security of supply
- Building an affordable energy system

Fluxys believes that the best way to solve the three challenges posed by the energy transition is to make electricity, natural gas and renewable energies (including green gas) work together in an open and pragmatic way.

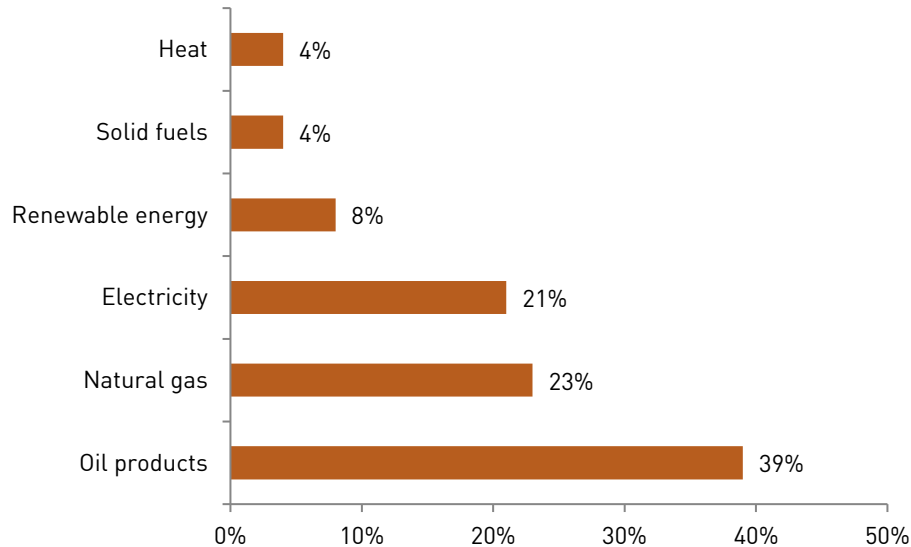
By doing so, natural gas and green gas could fully contribute to the objectives, a satisfactory response would be given to the variability of renewable electricity generation, a substantial contribution would be made wherever coal and/or nuclear generation units are decommissioned, and the energy system as a whole would remain affordable for private individuals and industry.

## Climate change and air quality: natural gas today, green gas tomorrow



### EU28: end user energy demand

[EU DG Energy Reference scenario 2016]



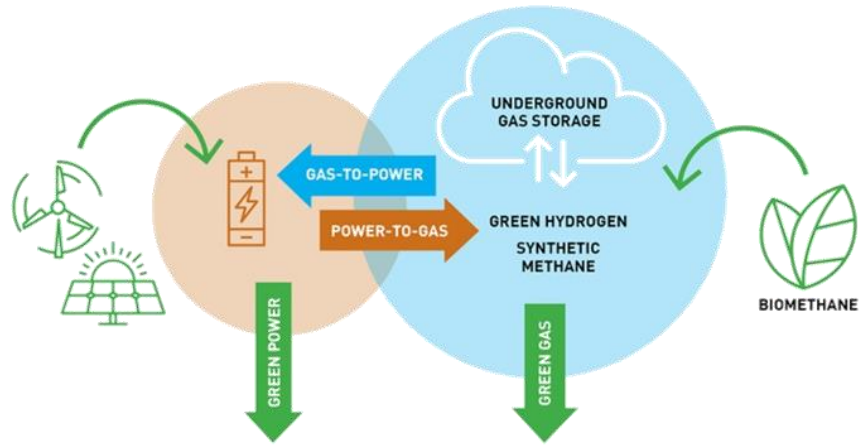
Debates about energy often focus on electricity. In this regard Fluxys strives to highlight the importance of broadening this focus taking into account the global relationships of energy demand components among consumers. The EU target of having renewables account for 27% of the energy mix by 2030 means that the remaining energy must be delivered by other sources. Thanks to its emission profile, natural gas has a crucial role to play here, while green gas could help to boost the share of renewable energy.

When compared to other fossil energy sources, natural gas has a much more favourable profile with regard to climate-related emissions (CO<sub>2</sub>) and air quality (particulate matter, NO<sub>x</sub> and SO<sub>x</sub>), meaning that switching from petrol, diesel, (heavy) fuel oil and coal to natural gas produces immediate results.

When it comes to **heating**, for instance, moving away from fuel oil boilers and old gas boilers to more efficient gas appliances brings about important benefits. This also applies to **transport**: natural gas is an important alternative for cars, light commercial vehicles and buses, while for heavy duty trucks and shipping it is currently possibly the only alternative. The development of the infrastructure needed to fill up vehicles with natural gas is fully under way. Natural gas is also the solution par excellence for **industry**, which often needs high temperature heat for its processes.

CO<sub>2</sub> emissions will decline further if increasing volumes of carbon-neutral **green gas** flow into gas infrastructure in the future.

- **Biomethane** is green gas extracted from organic waste and, like natural gas, can be used for heating or cooking. In view of the above, Fluxys teamed up with other European gas transmission companies to launch a comprehensive study conducted by the energy consultancy Ecofys. The study shows that it is possible to scale up the production of renewable gas in the EU between now and 2050 to over 120 billion cubic metres per year.
- Green gas can also be produced by using power-to-gas technology to convert surplus green electricity into **green hydrogen or synthetic methane**. As the green electricity production capacity continues to grow, so does the potential of power-to-gas technology to provide the energy system not only with storage solutions and flexibility but also green gas.



**Our view of the future energy system** - In the future, we see renewable energy sources together with gas and electricity infrastructure as the cornerstones of a reliable, sustainable and competitive energy offer. In this new energy landscape, our gas infrastructure will develop into a platform for a fully-fledged renewable system in which green gas, alongside natural gas, fosters synergies with the electricity system. After all, the strengths and weaknesses of electricity and gas are complementary: while electricity as an energy can be used in a vast range of low-power applications, gas, thanks to its high energy density, has the advantage that it conveys a lot of power and that large quantities of energy can be efficiently stored and transmitted over long distances. As such, gas and gas infrastructure contribute to the three fundamental challenges of the energy transition:

- Securing sustainable energy that spares both climate and air quality
- Further guaranteeing security of supply
- Building an affordable energy system

## Security of supply: gas and gas infrastructure offer a solution to the variability of renewable energy generation

It is generally expected that renewable sources will play an increasingly larger role in the generation of electricity. Additional electricity generated by the wind and sun, additional interconnections between high-voltage grids, demand-side management and gas-fired power plants all have a key role to play in replacing coal- and lignite-fired power plants as well as nuclear units scheduled for decommissioning in the next decade.

Gas-fired power plants can supply full-load capacity and offer increasing flexibility as renewable generation grows (and with it the variability in the electricity generated). In contrast to nuclear power generation, which mainly supplies full-load capacity, the flexibility of gas-fired power plants also means that they ensure that renewable generation can continue to expand.

## Gas and gas infrastructure are needed to keep the future energy system competitive

**Making full use of complementarity.** In order to keep the total cost of the energy system competitive, it is vital that existing natural gas infrastructure is used optimally and that the complementarity between electricity and natural gas infrastructure is fully exploited. It is ten times cheaper to convey the same amount of energy via natural gas infrastructure (at high pressure) than via electricity infrastructure (high voltage).

In view of the above, Fluxys teamed up with other European gas transmission companies to launch a comprehensive study conducted by the energy consultancy Ecofys. The study shows that the use of green gas via existing gas infrastructure in the EU in 2050 may be around €140 billion cheaper annually than a future energy system without gas.

**Efficient energy storage.** As the installed capacity for renewable energy generation rises, so does energy surplus and the importance of electricity storage.

- Battery storage and pumped storage only offer short-term solutions with limited capacity.
- There will also be increasing need for large-scale seasonal storage, mainly to ensure that surplus energy generated by the wind and sun in the summer can be used to cover shortages in the winter. Power-to-gas technology can offer a solution here. It converts power into green gas that can be stored in existing gas storage facilities.

**Efficiently managing peak demand.** Large-scale electrification of heating and transport would cause peak demand for electricity to rise considerably, requiring additional investment in the electricity system (sufficient generation and grid capacity) and for consumers, who would have to modify their facilities. In contrast, natural gas and green gas emit less CO<sub>2</sub> and fewer air pollutants, require limited additional investment in the electricity network, and allow consumers to keep on using highly efficient gas technology.

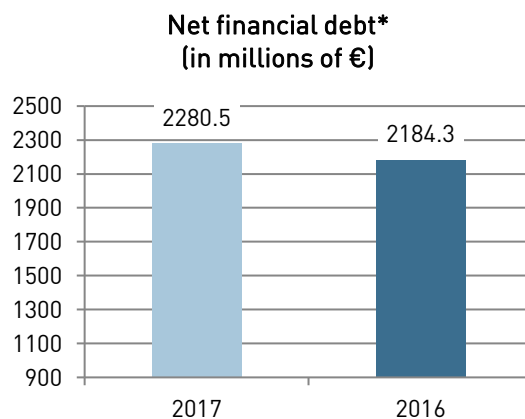


### 3. Financial situation: key statistics

#### 3.1. Key financial data 2017 (consolidated)

Financial ratios	2017	2016
<b>Solvency:</b>		
Ratio of (i) net financial debt* and (ii) the sum of equity and net financial debt*	49%	48%
<b>Interest coverage:</b>		
Ratio of (i) the sum of FFO* and interest expenses and (ii) interest expenses	7.7	6.4
<b>Net financial debt*/extended RAB*:</b>		
Ratio of (i) net financial debt and (ii) extended RAB	45%	42%
<b>FFO*/net financial debt*:</b>		
Ratio (i) of FFO and (ii) net financial debt	23%	24%
<b>RCF*/net financial debt*:</b>		
Ratio (i) of RCF and (ii) net financial debt	15%	14%

\*See glossary on page 217



\*Regulatory debt excluded

<b>Indicators</b>	<b>2017</b>	<b>2016</b>
<b>RAB * (in millions of €)</b>	<b>5,031.4</b>	<b>5,226.0</b>
Transmission	2,802.4	2,829.2
Storage	253.3	259.0
LNG terminalling	328.0	348.0
<b>Other tangible investments outside RAB (in millions of €)</b>	<b>1,647.7</b>	<b>1,789.8</b>

\* See glossary on page 217

<b>Income statement</b>	<b>(in thousands of €)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Operating revenue		1,012,986	1,027,448
EBITDA*		667,734	668,116
EBIT*		255,598	251,572
Net profit		165,109	118,284
<b>Balance sheet</b>	<b>(in thousands of €)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Investments in property, plant and equipment for the period		144,100	152,675
Total property, plant and equipment		4,071,140	4,315,600
Equity		2,331,044	2,403,901
Net financial debt*		2,280,502	2,184,271
Total consolidated balance sheet		6,494,606	6,584,994

\* See glossary on page 217

## 3.2. Fluxys SA –2017 results (consolidated)

### **Consolidation scope:**

This year, the consolidation scope and percentages of interests have changed as follows:

In the first half of 2017, Fluxys absorbed Fluxys Finance with retroactive effect in terms of tax and accounting to 1 January 2017. This merger by acquisition has no effect on the consolidated financial statements. It has, however, required a profit to be accounted for (merger badwill) in the statutory accounts of Fluxys SA.

Fluxys Europe has created Fluxys Germany Holding, which has acquired 90% of Fluxys Deutschland. This intragroup restructure has no impact on the Fluxys SA group financial statements.

Fluxys Deutschland has taken a 16.5% stake in the Eugal project (European Gas Pipeline Link).

In 2017, Fluxys also acquired a 51% stake in Eloops, a company with the purpose of optimising capacity reservations on the German market. This company is accounted for using the equity method.

Finally, Fluxys SA has acquired an additional 0.03% in Fluxys Belgium and now holds 90% of the company.

### **Operating revenue:**

The Fluxys Group generated a revenue of €1,013.0 million in 2017 as compared with €1,027.5 million in 2016. Outside the impact of the fall in GBP and CHF rates, revenue is up, largely thanks to the interruptible sales realised by FluxSwiss.

It is broken down as follows:

- €509.0 million from transmission, storage and terminalling activities in Belgium and related activities, or 50.2% of the total operating revenue, and
- €504.0 million generated by activities outside Belgium, or 49.8% of the total operating revenue.

**EBITDA:**

The Fluxys Group generated EBITDA of €667.7 million in 2017, remaining stable as compared with 2016 (€668.1 million). Fluxys therefore has solid financial resources to maintain and further expand its infrastructure in an increasingly international environment.

**Net profit/loss:**

The group's net profit/loss increased to €165.1 million in 2017 compared to €118.3 million in 2016, an increase of €46.8 million.

The corporate tax reform in Belgium generates a significant non-recurring revision of €31.8 million in deferred taxes accounted for in the past. The ensuing increase in the consolidated net profit does not, however, have any impact on the distributable profit and the dividend of Fluxys. The regulated net profit for shareholders is not affected by tax rates. The fiscal reform will have a favourable effect on future tariffs however, because the decrease in taxes associated with the rate review will reduce the costs to be covered by the tariffs.

The balance of the revision of deferred taxes linked to revaluation and to employee benefits in Belgium is recognised in the other part of the global results (+€36.4 million).

The evolution of the profit/loss can also be explained by the evolution of OLO rates (0.74% in 2017 compared to 0.49% in 2016) which generates an increase in the regulated authorised rate of return in the 'Belgium' segment. The latter additionally benefits the progress of the profit/loss from non-regulated activities. Together, these two items represent an impact of €5.5 million.

In the 'Europe' segment, the progression of the net results can primarily be explained by the sale of interruptible capacity in FluxSwiss, by the first positive contribution by Dunkirk LNG, the terminal having been commissioned on 1 January 2017, and by the reduction in costs linked to debts.

**Investments in infrastructure projects:**

In 2017 the Fluxys Group realised investments in infrastructure for a total of €144.1 million in its three main activities (transmission, storage and LNG terminalling), of which 58% was dedicated to infrastructure projects in Belgium and 42% to infrastructure projects outside Belgium.

**Financial participations:**

The Fluxys Group has invested €218.1 million in its financial participations, mainly in the TAP project.

**Evolution of currencies:**

The different balance sheet items were affected in 2017 by the unfavourable effects of the fluctuation of GBP and CHF rates. Translation adjustments had a -€56.6 million impact on the Group's equity.

### **3.3. Fluxys SA – Profit/loss 2017 (under Belgian GAAP)**

In the first half of 2017, Fluxys SA absorbed Fluxys Finance with retroactive effect in terms of tax and accounting to 1 January 2017. Fluxys SA now centralises the management of the Group's cash funds and financing. This merger has generated a profit to be accounted for (merger badwill) of €4,679 thousand in the statutory accounts of Fluxys SA.

The net profit/loss of Fluxys is €83,228 thousand compared to €126,821 thousand the previous year. The profit/loss for the financial year mainly consists of the dividends paid by Fluxys Belgium and the recognition of the aforementioned badwill. In 2016, the profit/loss also registered the dividends paid by Fluxys Finance and by Fluxys Europe, this latter not having distributed dividends in 2017.

If the proposal for the allocation of the profit is accepted at the General Meeting, the gross total dividend for the 2017 financial year will be €138,839 thousand.

### **3.4. Outlook 2018**

Given the expansion of the company's business activities and barring any unforeseen circumstances, Fluxys expects to pay out a dividend at the end of the 2018 financial year that is at least equivalent to the recurring dividend for 2017 if OLO rates remain at the same level.



## 4. Market context and the development of activities

### 4.1. Transmission

#### Supply and demand dynamics on the natural gas market

**Demand once again on the rise in Europe.** Provisional figures for 2017 indicate that natural gas demand worldwide rose by around 3%, with the biggest growth markets being China and Europe, followed by the Commonwealth of Independent States, Africa and the Middle East.

Demand in Europe rose an estimated 5% in 2017, the third consecutive year of growth in demand following the decline in 2011-2014. This was primarily due to economic revival and greater use of natural gas to generate electricity, natural gas which offered among other things flexibility to cover unavailabilities in nuclear power generation.

**European production declines further.** Natural gas production in Europe has systematically declined owing to the depletion of conventional gas reserves. This decline is being sped up due to the successive restrictions placed on production at the Dutch Groningen gas field as a measure to limit the risk of earthquakes.

The decrease in European natural gas production means that major new import flows are needed. In 2017, gas imports were around 80 billion cubic meters higher than in 2014 and import needs are expected to rise further by about 50 billion cubic meters per year up to 2040. Thanks to its location, Fluxys infrastructure is well placed to assume its role in handling the new flows resulting from additional imports.

The rise in import needs in 2017 was mainly covered by additional gas transmitted through pipelines from Russia and Norway and by a higher supply of liquefied natural gas (LNG) via ships.



## Transmission capacity: shift to short-term market

**Network users optimise capacity portfolio.** Capacity sales on the European natural gas transmission market have been squeezed for a number of years now. This is due to a combination of factors. First, there is the demand for natural gas itself. Although provisional figures for natural gas consumption in 2017 show a rise of around 5% compared to 2016, consumption is still approximately 10% lower than it was 10 years ago. Moreover, system users are increasingly optimising their capacity portfolio, calculating as precisely as possible the volumes to be contracted based on the exact capacity they estimate they will need to supply their customers. At the same time, transmission system operators must ensure that enough peak capacity remains available at all times.

**Shift from long term to short term.** The trend towards increased optimisation of capacity portfolios also means that the practice of long-term capacity bookings is making way for more and more short-term capacity bookings. As such, suppliers are increasingly buying their natural gas on a short-term basis on gas trading platforms, leading to more short-term capacity contracts. On top of that, the shift towards short-term contracts is fuelled by the new harmonised European rules on system usage. Expiring long-term contracts, for example, can no longer be replaced with new long-term contracts. Once they expire, the capacity released must be auctioned. Given the fact that there is certainly more than enough capacity available in North-Western Europe, system users have an incentive to only buy short-term capacity.

**Challenge for transmission system operators.** Long-term contracts give transmission system operators the prospect of stable revenue in the long term regardless of how much the infrastructure is used. The more capacity is sold on the short term, the more revenue will fluctuate with actual capacity use. This development poses a real challenge to operators of regulated infrastructure as the cost basis remains the same regardless of how much capacity is consumed.

## Focus on competitive tariffs

In a border-to-border transmission market increasingly characterised by short-term bookings, it is vital that tariffs are kept at competitive levels. Thanks to its continued efficiency drive and low interest rates, Fluxys Belgium was able to cut transmission tariffs by around 7.5% from January 2018 onwards. In Germany, Fluxys Deutschland cut tariffs by 20% for capacity on the NEL pipeline from January 2018 onwards, while Fluxys TENP maintained, thanks to its tariffs for the TENP pipeline, a strong level of competitiveness despite the tariff increase required by the regulatory system in force.

## Stable capacity sales

**Capacity for international natural gas transit** With regard to the sale of short-term capacity, the customer-oriented approach of the group's companies guaranteed optimum sales in line with market conditions and price differences between gas trading platforms. New capacity products were quickly developed in Switzerland to respond to specific expectations on the market. In Belgium, long-term contracts for the Dunkirk-Zeebrugge connection were made available as soon as the Dunkirk LNG terminal became operational at the beginning of the year.

**Capacity for supplying national markets.** In Belgium, bookings for capacity to distribution systems rose in order to have more peak capacity for the increased number of connections for households and SMEs. Capacity bookings fell in Sweden, among other factors, due to the mild winter.

## **Gas flows: Fluxys infrastructure responds smoothly to shift in the provision of flexibility**

The closure of the UK's largest storage site (Rough) from 2016 onwards (see page 46) has triggered a major shift in the flexibility supplies on the North-West European market. Fluxys group infrastructure once again demonstrated its ability to respond supply in this market situation. Large quantities of natural gas flowed through the Interconnector pipeline to Germany and the Netherlands via the Belgian network in July and August. And during the winter months, high volumes of natural gas were imported from Germany and the Netherlands to the Belgian network, from where they were transmitted to France and to the UK via the Interconnector pipeline.

The infrastructure in Switzerland was also particularly responsive. During a cold spell in Italy or when other supplies to the Italian market dropped, the Transitgas pipeline provided Italy with the volumes needed to help balance the market.

## **Fluxys and Snam become sole shareholders of the Interconnector pipeline**

In March 2018, Fluxys and Snam acquired a 33.5% stake from Caisse de dépôt et placement du Québec (CDPQ) in the Interconnector pipeline. This transaction enabled CDPQ to combine the management of its stake in the pipeline with its 20% partnership in Fluxys. Fluxys and Snam are consequently the company's only shareholders, holding stakes of 76.32% and 23.68% respectively. The original long-term capacity contracts for the Interconnector pipeline expire in October 2018 and the company fully prepares for a new market environment centred on short-term contracts and commercial flexibility.

## **Long-term maintenance on TENP infrastructure**

Based on extensive inspections of one of the two TENP pipelines, in 2017 TENP shareholders decided, as a precautionary measure, to perform additional inspections and for that purpose temporarily take a large part of the pipeline out of service. As such, the available infrastructure capacity has been reduced in the long term, possibly until September 2020. Fluxys TENP is working with other transmission system operators to ensure that the system users affected in southern Germany have enough capacity to supply natural gas to local markets. Transit to Italy is kept as high as possible.

## **Belgium/France: North-Western Europe's first virtual interconnection point**

In 2017, Fluxys Belgium and GRTgaz launched Virtualys, North-Western Europe's first virtual interconnection point. Virtualys combines all physical interconnection points for high-calorific gas between France and Belgium. Instead of booking and nominating capacity on one or more of these points, network users can now manage their gas flows through Virtualys alone. Fluxys Belgium and GRTgaz take care of the logistic complexity involved.

The introduction of virtual interconnection points is one of the provisions of the European Network Code on Capacity Allocation Mechanisms. The rationale is that virtual interconnection points will make it easier for gas to flow flexibly across the EU following price signals on gas trading platforms, consequently enhancing competition and pricing on the gas market.

In Germany, 15 virtual interconnection points in total have to be created. Fluxys TENP and Fluxys Deutschland are actively involved in establishing virtual interconnection points for their infrastructure.

## Belgian gas trade is still booming

**Gas trade exceeds 1000 TWh.** In 2017, Fluxys Belgium harmonized its gas trading services, lumping notional and physical gas trading in ZTP. Volumes on ZTP rose by nearly 10% in 2017, to 1008 TWh, exceeding for the first time 1000 TWh a year, more than five times Belgium's annual consumption.

**Notional gas trade +46%.** In 2017, notional trade on ZTP continued the strong growth seen in recent years, with traded volumes rising by 46%. In December, a new daily record of 1.4 TWh traded was set. In 2017, notional trading at ZTP also took a higher spot in the annual ranking established by the European Federation of Energy Traders (EFET) of Europe's gas trading platforms.

**Monthly gas price index for ZTP.** Since September 2017, a ZTP monthly index has been available for end consumers and suppliers to use to have their natural gas contracts index-linked to the Belgian gas trading price. Thanks to its advantageous price, the ZTP monthly index offers an attractive alternative to the usual price references in natural gas contracts.

## Shift from low-calorific to high-calorific natural gas

The gradual depletion of the Groningen gas field (which produces low-calorific natural gas or L-gas) has prompted the Dutch government to systematically phase out the export of natural gas from this field to Germany (between 2020 and 2030) and to Belgium and France (between 2024 and 2030). In addition, the extraction of natural gas from the near-depleted field triggers earthquakes, so production at Groningen has been limited since 2014. This output reduction remains a subject of debate. As such, in 2017 the production cap was lowered further to approximately 210 TWh per year, and following the earthquake on 8 January 2018 a new, lower cap is being considered.

Belgium currently imports around 50 TWh of L-gas per year for domestic consumption. The Belgian network also acts as a corridor for channelling approximately 45 TWh of L-gas a year to France. Fluxys Belgium, in consultation with the government and Belgian gas industry, has devised its conversion schedule and is on track to complete the conversion on schedule in 2029. Thanks to good interconnections with neighbouring networks and sources of H-gas, supplies of L-gas can be easily replaced.

Germany currently consumes approximately 230 TWh of low-calorific natural gas; these volumes will also have to be gradually replaced with high-calorific natural gas from other sources by 2030. Thanks to the Alpine reverse flow project (see page 50), capacity is made available on the market to bring gas from the south to Germany. The German network development plan also provides for the construction of the Zeelink pipeline, which shores up the capacity to transmit gas from the west to Germany through the Belgian/German Eynatten interconnection point.

## 4.2. Storage

### Market conditions for storage in Europe remain challenging

**Oversupply.** Europe has had a relative surplus of storage options for a few years now, and natural gas is available in abundance on gas trading platforms. This situation has resulted in structurally small price differences between winter and summer, which, in turn, have priced physical natural-gas storage out of the market.

Against this backdrop, France and Germany, among others, have decommissioned a number of storage sites and various European countries are increasingly using their storage facilities as a means of ensuring security of supply. As a result, Europe-wide initiatives were rolled out in 2017 to study the best way to valorize the role of storage in the market.

The challenge for storage operators lies in continuously developing products and services that meet the changing needs of storage customers as closely as possible. It is important that the regulatory framework continues to offer the possibility to flexibly respond to market needs.

**The UK's largest storage site closed.** In mid-2017, the operator of the UK's Rough storage site announced that the facility was being permanently shut down for technical reasons. Rough was the UK's largest storage site, accounting for 70% of the country's storage capacity. The site had been unavailable since mid-2016 and the loss of storage capacity has triggered a major shift in the supply of flexibility on the North-West European market.

**Loenhout storage facility fully booked for the 2017-2018 season.** In Belgium, 60% of capacity at the Loenhout storage site is booked under long-term contracts. Upon the closure of the UK's Rough storage site, Fluxys Belgium sold the remaining capacity for the 2017-2018 storage season through a commercial offering of fast solutions for changing flexibility needs.

**Difficult situation for storage in Skallen.** Due to poor market conditions, virtually no storage was sold at Sweden's Skallen storage site. In light of the market situation, the storage facility will be temporarily shut down for the 2018-2019 season.

### 4.3. LNG terminalling

#### Europe's LNG imports on the rise

Europe saw LNG imports increase by around 4.5 million tonnes, to approximately 40 million tonnes (approximately 54 billion cubic meters of natural gas). This growth was particularly noticeable in southern European countries.

In 2017, LNG-producing countries exported over 30 million tonnes more LNG than in 2016 (approximately 42 billion cubic meters of natural gas). Approximately 22 million tonnes of LNG came from new production capacity opened up in Australia and the US. Due to the low natural gas prices in Europe, most of the additional volumes of LNG went to other regional markets. Over 40% of the additional production went to China, which consequently became the second biggest importer of LNG after Japan.

#### Zeebrugge LNG terminal: small-scale LNG in full swing

Users of the Zeebrugge LNG terminal have long-term contracts to unload 110 large LNG carriers per year. The terminal unloaded as much LNG for regasification and transmission onto the network in 2017 as it did the year before, despite fewer vessels being unloaded. Demand for loading large LNG carriers fell significantly.

In addition to the transshipment of large volumes of LNG, Zeebrugge LNG terminal is diversifying its offer with a view to anticipate the developing market for small-scale LNG (see Natural gas as a transport fuel: Fluxys active on various fronts, page 53) meaning that small LNG carriers and LNG trucks can load LNG at the terminal. Other LNG terminals in the wider region are also developing services for small-scale LNG. Despite this increased competition, the number of operations involving small LNG carriers and LNG trucks at Zeebrugge remained the same in 2016 and 2017.

Services at the LNG terminal were diversified in 2017, with the commissioning of the second jetty making it possible to load LNG bunkering vessels. The second jetty also enables the terminal to respond flexibly to demand for simultaneous or consecutive berthings.



## **Dunkirk LNG terminal now in use**

Dunkirk LNG terminal was opened for commercial use on 1 January 2017. During its first year, 10 vessels unloaded LNG at the terminal. Approximately 10 TWh of natural gas in total has been regasified and sent out onto the French and Belgian markets, and also to other target markets through the Belgian network.

## 5. Projects unlocking new sources or supply routes for Europe

### Construction of the Trans Adriatic Pipeline well on track

Fluxys is a 19% stakeholder in the Trans Adriatic Pipeline (TAP), the pipeline under construction that forms the last link in the Southern Gas Corridor enabling Europe to access natural gas from the Shah Deniz field in Azerbaijan from 2020. In the first phase, the pipeline will be able to convey up to 10 billion cubic metres of natural gas per year. This capacity can be increased at a later stage to 20 billion cubic metres per year with relatively little further investment. Various sources may be considered in that respect, including sources from the wider Caspian region, the Middle East and the eastern Mediterranean region.

By unlocking new sources, TAP will be an important link for both the diversification of natural gas sources and the security of supply in Europe. Against this backdrop, the European Union has given TAP Project of Common Interest (PCI) status as part of the Trans-European Networks for Energy (TEN-E).

Construction of the Trans Adriatic Pipeline has progressed well since its beginning in 2016. Almost 65% of the project was completed by late 2017.

- In Greece and Albania, over 380 kilometres of the 765-km-long route had already been reinstated to its original condition.
- Construction of a compressor station has begun in Fier (Albania) and Kopoi (Greece). Both stations are on schedule for commissioning.
- TAP is experiencing difficulties in Kavala (Greece) and at the landing point in Italy due to resistance from local residents. TAP is making every effort, in the spirit of good neighbourly relations and in consultation with residents and public authorities, to respond to local concerns and ensure that the pipeline is commissioned in time.

The financing of the TAP project is entering its final phase. The detailed conditions will be sent to commercial banks in the course of Q2 2018, as agreed with the Anchor Lenders (EIB, EBRD, BPI, SACE and Euler Hermes). The project already achieved an important milestone in early 2018 when the EIB publicly announced its decision to finance up to an amount of 1.5 billion €.

The EIB hereby confirmed the project to be identified by the Council of Ministers, the European Commission, and the European Parliament as a strategically important component of the European energy policy (Project of Common Interest).

Closing and first drawdown is expected to be completed by the last quarter of this year.

## **Alpine reverse flow project on schedule**

The TENP and Transitgas pipelines currently accommodate north to south flows from Belgium and the Netherlands through Germany and Switzerland to Italy. Gas from France also flows to Switzerland and Italy via the Transitgas pipeline. The Alpine reverse flow project will make the TENP and Transitgas pipelines bidirectional, so that by 2018 gas will also be able to flow from Italy to France and Germany via Switzerland.

Gas conveyed from Italy thanks to the project is not limited to gas that is delivered in Italy from current North African, Russian and LNG sources - when the Trans Adriatic Pipeline is commissioned, the Alpine reverse flow project will also make it possible to flow natural gas transmitted to Italy via the Southern Gas Corridor further north to North European markets (see page 49). The project will also ensure that various gas trading places (NCG in Germany, PEG in France and PSV in Italy) can achieve their full functionality and further price convergence on those various markets.

The Alpine reverse flow project is a partnership between transmission system operators in four countries: Snam in Italy, FluxSwiss in Switzerland, GRTgaz in France and Fluxys TENP and OGE in Germany.

By providing access to new sources of gas from the south and improving the links between gas trading places, the Alpine reverse flow project is a key factor to achieve security of supply, the diversification of sources and the integration of the European gas market. For this reason, the project is included in the list of European Projects of Common Interest (PCIs) and receives European support under the Connecting Europe Facility programme.

The project requires investments to be made among other in the compressor stations at Ruswil (Switzerland) and Hugelheim (Germany) in order to change the flow direction. Work is completed in Switzerland and nearing completion in Germany. From October 2018, capacity will be available for the market to move gas from south to north.

In connection with the Alpine reverse flow project, an industrial deodorisation plant is being built in Germany. This plant will give involved transmission system operators more flexibility to transmit gas to Germany if part of it comes from France and therefore contains a given concentration of odorant. Odorant is not permitted on Germany's transmission systems, unlike current practices in Switzerland, Italy and France. Thanks to the deodorisation plant, odorant can be removed from gas flows on the German-Swiss border.

## **Fluxys becomes a partner in the EUGAL pipeline project**

In October 2017, Fluxys acquired a 16.5% stake in the European Gas Pipeline Link (EUGAL) project in Germany. The project involves building two parallel pipelines to transmit Russian gas from the landing point of the future Nord Stream II pipeline in the north of Germany southward to the Czech border. The project will boost Europe's import capacity by 51 billion cubic metres per year. Preparatory groundwork has begun for the construction of the landing station in the north of Germany and construction is scheduled to begin in August 2018. Commissioning is planned for 2020.

## **Zeebrugge LNG terminal: transshipment to other LNG markets**

Fluxys is currently building a fifth LNG storage tank and additional process facilities at the Zeebrugge LNG terminal (works started mid-2015). Commissioning is expected over the course of 2019. These investments are derived from the long-term contract concluded in 2015 with Yamal Trade for the transshipment at the terminal of up to eight million tonnes of LNG per year (approximately 123 TWh of natural gas). The aim is to transship LNG transported by ice-breaking LNG carriers from the new production terminal in Yamal in northern Siberia onto conventional LNG carriers, to be further conveyed to its final destination. The additional LNG storage tank will serve as a buffer for the transshipment of LNG between two vessels if they are not moored at the same time.

These new services will further extend the versatility of the Zeebrugge LNG Terminal: for the LNG production terminal in Yamal, Zeebrugge is taking on a transshipment role with a view to supplying LNG to other LNG importing markets.

## 6. Commitment to innovation

### 6.1. Natural gas as a transport fuel: active on various fronts

Natural gas has the best emission profile of all fossil fuels, making it an important alternative fuel in the transport segment. Switching from petrol, diesel or heavy fuel oil to natural gas immediately curbs carbon emissions and has a positive impact on air quality and health: nitrogen oxide emissions are up to 90% lower, and emissions of sulphur and particulate matter are negligible (see page 26).

Fluxys is active on various fronts to promote natural gas as a transport fuel and stimulate this promising but still emerging market. The main challenge of this switch lies in developing the infrastructure needed to easily refuel vehicles and vessels with natural gas. Compressed natural gas (CNG) is used in cars, vans, buses and commercial vehicles. Liquefied natural gas (LNG) is once again the ideal solution for ships and long distance freight.

## **CNG vehicles on the rise in Belgium**

In Belgium, Fluxys is working with other market parties to encourage private individuals, companies and local authorities to use CNG-fuelled cars. The authorities are also taking a range of initiatives (through tax measures and bonuses, for instance) to encourage people to switch to CNG. A number of cities adopted policies with a view to introducing low-emission zones, which is another incentive.

The number of CNG-powered vehicles rose considerably in 2017, from 5,400 to 9,000. More than one CNG filling station on average opened each month, with their numbers rising from 74 to 90. 28 additional CNG stations are planned in 2018.

## **Second jetty at the Zeebrugge LNG terminal: major step forward in the development of LNG as marine fuel**

The second jetty at the Zeebrugge LNG terminal has been operational since late December 2016. The jetty was designed to receive LNG carriers ranging from the smallest ships with a capacity of 2,000 cubic metres of LNG up to large vessels with a capacity of 217,000 cubic metres of LNG. Some 200 loadings have already been booked at the second jetty for small LNG carriers under long-term contracts.

The possibility to accommodate the smallest LNG carriers entails that LNG bunkering vessels can now also berth at the terminal. These vessels are loaded with LNG in order to supply other LNG-powered ships. Without LNG bunkering vessels, LNG-powered ships are required to go to fixed bunkering installations or use the limited bunker capacity offered by LNG trucks. In contrast, LNG bunkering vessels sail to the ships requiring LNG as a fuel and can also be used to transport LNG to small LNG bunkering terminals in other ports.

ENGIE Zeebrugge, an LNG bunkering vessel in which parent company Fluxys is a partner and whose home port is Zeebrugge, regularly loads at the second jetty.

## Second loading station for LNG trucks at the Zeebrugge LNG terminal

The final investment decision has also been made concerning the construction of a second LNG truck-loading station which aims at continuing to quickly meet demand in the future. The second loading station will be built in 2018 and will receive financial support from the European Commission via the *Connecting Europe Facility* (CEF) programme as part of a pilot project intended to supply an LNG bunkering facility being built by our sister company Swedegas in the port of Gothenburg, Sweden (see page 56). The subsidy is awarded to projects that exploit synergies between the transport and energy sectors with a view to achieving a low-carbon future and strengthening the internal European energy market.



**Co-financed by the Connecting Europe Facility of the European Union**

## LNG bunkering solutions for the Port of Antwerp

Early 2018, Fluxys took over the concession at the Port of Antwerp to provide LNG as an alternative maritime fuel. By late 2019 Fluxys will expand the current mobile bunkering of LNG for ships with the infrastructure needed for inland and small seagoing vessels to fill up with LNG at a fixed facility with LNG storage. To this end the company is working closely with G&V Energy Group, which will also build an LNG filling station for trucks on the same site.

## Dunkirk LNG terminal developing small-scale LNG too

An LNG truck loading station is under construction at the Dunkirk LNG terminal. According to the current schedule, LNG trucks will be able to use it from late 2018 onwards.



## LNG bunkering facility under construction in Gothenburg

Swedegas started building an LNG bunkering facility in the port of Gothenburg in mid-January 2018, thanks to which LNG will be available as a marine fuel for the first time at Scandinavia's largest port. This project is receiving financial support from the European Commissioning via the *Connecting Europe Facility* (CEF) programme. The subsidy is awarded to projects that exploit synergies between the transport and energy sectors with a view to achieving a low-carbon future and strengthening the internal European energy market.

The aim is to gradually expand the LNG bunkering facility as demand develops, with a view to ultimately supplying industry with liquefied natural gas.



**Co-financed by the Connecting Europe  
Facility of the European Union**

## 6.2. Investing in innovative gas technology

Innovative gas technology, with its high energy efficiency and favourable emission profile, has an important role to play in the transition to a low-carbon society. In this respect, Fluxys is supporting the accelerated development and market launch of innovative and attractive gas applications for heating, industry and mobility. The company pursued several projects in 2017.

Involvement in boostHEAT, the company that has developed an innovative thermodynamic gas heat pump, is going well. According to the current schedule, these gas heat pumps will be sold in France, Belgium, Germany and Switzerland from late 2018 onwards.

### 6.3. Power-to-gas

Power-to-gas is a technology which allows the conversion of electricity into hydrogen or synthetic methane. By converting green electricity into a different form of energy, power-to-gas offers a valuable solution to the problem of electricity storage. For example, when wind turbines are running at full capacity while electricity demand is low, the energy generated in excess can be stored in the gas infrastructure in the form of hydrogen or synthetic methane.

Early 2018, Fluxys began collaborating on the development of a power-to-gas facility on an industrial scale in Belgium.

## 7. Development outside Europe

While Fluxys' primary focus is on its core market (Europe), the company wants to stimulate its growth by broadening its geographical scope as well. Many regions outside Europe have strong growth prospects when it comes to natural gas demand , and numerous projects are being proposed by parties seeking cooperation with experienced partners. In 2017, Fluxys established extensive contacts outside Europe with a view to, for instance, investigating potential LNG infrastructure projects.

## 8. People: our bedrock in changing times

As an infrastructure company in the energy sector, Fluxys operates in a rapidly changing market that will keep evolving over a long period as the energy transition continues to take shape. To maintain its success in this context, it is vital that the company be able to continue to count on skilled, motivated employees and the smooth deployment of everyone in their work.

The core of our HR policy is therefore all about activating adaptability in the interplay between people, processes and structures. By doing this, Fluxys remains ready for today's challenges while preparing for the future. Fluxys can count on the expertise, commitment and motivation of over 1,200 employees in Belgium, France, Germany, Switzerland, the United Kingdom and Luxembourg.

### Organisation moving with the growth strategy

Fluxys constantly examines its processes and structures in light of new challenges that materialise. After all, a transforming market requires an organisation that moves along with it. More efficient processes and structures are key to achieving the enhanced performance which the company strives for in a bid to pursue a sustainable growth and further bolster its position on the market. Employees have a vital contribution to make here: they are expected to critically analyse their day-to-day work, be agile and adapt to changes with an open mind.

2017 saw the end of the restructuring of the lines of interaction between the subsidiaries and teams at head office to boost the Fluxys group's operational and strategic effectiveness and its resilience with a view to further growth. The new way of working is taking the form of an increasingly flexible organisation by introducing short lines of communication and, for each process, small cross-functional teams of employees both at the subsidiaries and at head office.

## Fully focused on talent

Fluxys' talent management policy helps it to ensure that the right talent is in the right place at the right time to make an optimum contribution to the company's success against the backdrop of an evolving market and changing company processes and structures.

Based on its company objectives, Fluxys assesses its future staffing needs to gain a clear overview of which profiles and skills are required now and in the future. Consequently, our recruitment strategy is not simply focused on filling vacancies as they arise, but rather on finding motivated, committed individuals who can ultimately offer added value elsewhere in the company too. To attract and retain the right talent, Fluxys offers competitive salary packages in line with the market.

Personalised intake programmes and dynamic performance management are the two levers that Fluxys uses to support its employees in order to contribute optimally to the company's objectives. Furthermore, Fluxys' competence management together with professional development and training programmes are geared towards providing employees with the support they need to fulfil both the company's objectives and their own professional ambitions.

## Providing clarity and creating commitment

Fluxys attaches great importance to ensuring that employees are familiar with the business context and the challenges the company faces, as this fosters personal commitment to the company's vision, strategy and objectives. Fluxys makes sustained efforts, using a variety of means, to give staff members a better understanding of what changes are going on in the energy sector, how the company is adjusting its goals to address these changes and what these goals mean for each of them.

## Transparent and constructive social dialogue

Good industrial relations are vital for company cohesion and activity development, which is why Fluxys pursues transparent and constructive social dialogue with all social partners.

## 9. Research and development

Fluxys' research and development policy aims to obtain the knowledge and technology in order to strengthen and further develop the group's activities. In 2017, Fluxys was involved in research and development projects relating to the design and safe operation of gas infrastructure as well as in geological and hydrodynamic models for the underground storage of natural gas. The company paid particular attention to the research and development of innovative gas applications, green gas and small-scale LNG.

### Power-to-gas

Power-to-gas is a technology which allows the conversion of electricity into hydrogen or synthetic methane. By converting green electricity into a different form of energy, power-to-gas offers a valuable solution to the problem of electricity storage. For example, when wind turbines are running at full capacity while electricity demand is low, the energy generated in excess can be stored in the gas infrastructure in the form of hydrogen or synthetic methane.

Fluxys Belgium has joined forces with about 10 other European companies (including natural gas and electricity network operators) in the *European Power to Gas Platform* to monitor this technology and exchange best practices. In 2017, the company participated to the elaboration of a study around this new technology. This study showed in particular that power-to-gas and renewable energy sources complement one another, and that power-to-gas can make a major contribution to achieving the climate goals by cutting CO<sub>2</sub> emissions.

## **Green gas: biomethane quality requirements**

Biomethane is the gas that is left when the CO<sub>2</sub> is removed from biogas. Biogas is produced from biological sources (green waste, sludge from water treatment plants, energy crops). Like natural gas, biomethane's main component is methane. Fluxys Belgium is involved in various working groups examining the quality requirements biomethane must meet before it can be injected into a natural gas network and what the resulting impact might be. Fluxys Belgium will use the results of this research as a reference in the biomethane injection projects that are currently under development in Belgium.

## **Combined heat and power**

Fluxys Belgium contributes to research into different natural gas-fired cogeneration systems that generate both electricity and heat. Cogeneration not only reduces greenhouse gas emissions but also lowers energy bills. Fluxys is actively analysing the possibility of integrating one or more CHP units into its infrastructure.

## **Other energy carriers**

In 2017, Fluxys began looking into the role the company could play in transmitting other gases or energy carriers (CO<sub>2</sub>, gaseous hydrogen and heat).

## **International measurement standard for small-scale LNG**

LNG is enjoying increasing success as an alternative fuel for trucks and ships. For such small-scale applications, LNG needs to be measured as accurately as other fuels. With this in mind, Fluxys Belgium and various metrology institutes and industrial partners have come together in a project group to develop an international standard for measuring small to medium-sized LNG flow rates. In 2017, work began on the construction of a new LNG measurement and calibration facility at the Maasvlakte in Rotterdam with a view to developing the international standard. The commissioning of this facility is currently scheduled for late 2018.

## 10. Main risks, uncertainties and opportunities

### 10.1. Internal control and risk management systems

**Reference framework.** Fluxys has established a risk management system based on the COSO framework. A guideline describes which risk management-related activities have to be performed when and by whom.

**Roles and responsibilities.** The Board of Directors determines – pursuant to a proposal by the Managing Director – the degree of risk which the company is willing to incur, in accordance with its values, strategy and core policies. The Board of Directors also approves the reference framework for internal control and risk management and assesses implementation of the reference framework. The Audit Committee advises the Board of Directors in this area.

At least once a year, the Audit Committee examines the internal control and risk management systems set up by the Managing Director within Fluxys subsidiaries (both fully and majority controlled). In this way, the Committee ensures that the biggest risks are suitably identified, managed and communicated. Risks associated with social, personal and environmental issues, respect for human rights and tackling corruption and bribery are taken into account. The biggest risks are monitored on a quarterly basis and reported to the Managing Director. The Managing Director is responsible for implementing risk management. In this capacity, they evaluate the risks and measures taken to mitigate them.

In a bid to ensure efficient internal controls, Fluxys has introduced a separation of functions in its processes and IT systems to limit the risk of errors and fraud in its accounts. In addition, several control functions are in place within key departments which regularly evaluate the latter's respective risks and controls, and adjust and report on them. A budget monitoring exercise is also held as part of financial reporting.

**Risk register.** The *likelihood* and *impact* of each risk identified are determined in either quantitative or qualitative terms. The impact assessment criteria may pertain to the financial situation, reputation, safety, the environment, or availability. Fluxys views impact as a combination of these aspects, as certain risks can affect the financial situation while others have a bigger impact on reputation or safety. If the impact of a risk encompasses multiple criteria (e.g. financial, reputation), Fluxys opts for the criterion with the highest grading (precautionary principle). In this way, the company's risk profile is adjusted periodically.



The risks are set out in a risk matrix, in which Fluxys distinguishes three levels of risk:

- Unacceptable risks: risks for which measures must always be taken immediately to reduce the risk.
- Risks for which measures are taken to reduce the risk in line with the ALARP (*as low as reasonably possible*) principle. This means that the technological resources, economic restrictions and feasibility of the measures are weighed up carefully against the risk-reducing effect. The divisions keep a close eye on the risks.
- Risks that are acceptable as the necessary controls and measures are in place.

**Control measures.** The risk profile, as it appears in the risk register, is compared with the risk tolerance and where necessary additional measures are taken with the aim of bringing all risks within acceptable limits. These measures are translated into a policy, procedures and instructions; the implementation of the measures are regularly evaluated by means of external and internal audits, technical audits and quality controls. This strengthens risk awareness within the organisation.

**Internal Audit Department.** The Internal Audit Department is an independent and objective entity in charge of Fluxys' organisation internal control. The Internal Audit Manager issues functional reports to the Chairman of the Audit Committee, thus guaranteeing independence. The department is tasked with applying a rigorous, systematic approach to evaluate and enhance the efficiency of risk management, risk control and processes.

An annual audit plan is drawn up every year based on a multi-year risk-based audit plan. A number of stakeholders are involved in this planning process. Incorporating the business and risk management into the planning process is advantageous in that the audit is focussed squarely on relevant and major risks and controls.

## 10.2. Overview of the major risk areas

**Market risk.** The current market situation is affecting both transmission and storage of natural gas, and this is having an impact on the amount of capacity actually reserved. In this context, Fluxys and its subsidiaries are working hard to make their services even more attractive and keep their tariffs as competitive as possible.

Due to Europe's energy and climate policy, the shift towards greater energy efficiency and a low-carbon energy mix in favour of, among others, renewable energy sources ultimately renders long term natural gas demand uncertain. The number of long-term transmission contracts is dwindling while the number of short-term transmission contracts is on the rise. For this reason, Fluxys is carefully considering where to invest in new infrastructure.

Today, gas-fired power plants are often priced out of the market: a high penetration of renewable energy sources combined with low coal prices and low CO<sub>2</sub> emission prices result in low load factors for gas-fired plants in parts of Europe. The declining activity of the power plants has a major impact on capacity bookings for gas-fired power plants. The uncertainty surrounding these bookings will remain in the future: it is unclear how the CO<sub>2</sub> emission price will evolve and, on top of that, there is a lack of clarity on the timing of a nuclear (Belgium, France) and coal (Germany, the Netherlands) phase-out, exacerbating the uncertainty.

The end of Dutch L-gas by 2030, and its declining exports of 2024, may lead to the end of L-gas transit flows through Belgium, which may not be compensated by new H-gas transit flows. The schedule of this phase-out could be brought forward in light of the earthquakes in the Groningen area. Furthermore, the gradual disappearance of L-gas and subsequent conversion to H-gas represents a potential risk for loss of market share as L-gas users can opt for energy sources other than natural gas.

**Regulatory framework.** Transmission activities are regulated by European law. Europe provides for a system of regulated access to natural gas transmission (border-to-border and domestic transmission). Regulated activities are monitored by the national regulatory authorities (NRAs). NRA activities are consolidated at European level within the Agency for the Cooperation of Energy Regulators (ACER). NRAs determine the tariff methodology and approve tariff proposals for natural gas transmission systems, natural gas storage facilities and LNG terminalling activities.

European legislation also incorporates a certification procedure for those operating transmission systems, natural gas storage facilities and LNG terminalling facilities with a view to monitoring compliance with the unbundling rules applicable to owner-operators, i.e. the separation of operators from energy suppliers and producers. As owner-operator, Fluxys is active in the framework of the unbundled regime.

Though the activities of FluxSwiss are currently not regulated, it is possible that in the longer term natural gas transmission in Switzerland will see a form of regulation similar to the framework used in the European Union.

Any change to the regulatory framework can have a major impact on Fluxys' activities, results and financial position.

**Integrity of the network and the ICT infrastructure.** Operating natural gas infrastructure entails inherent safety risks, such as damage to the network and the facilities as a result of work performed by third parties, damage as a result of corrosion or incidents during maintenance works. In Belgium, Germany, Switzerland and Sweden, Fluxys takes measures to ensure the safe and continuous operation of infrastructure and manage the associated risks. As such, the TENP-1 pipeline in Germany was temporarily taken out of service for further investigation. ICT security (availability and *cyber security*) is a specific risk for operational activities. With this in mind, Fluxys is taking the appropriate precautions to keep its ICT and Industrial Control (IC) systems in optimal condition and protect them from outside threats.

**Activity growth.** In a bid to safeguard its future growth and profitability on a European gas market undergoing sweeping changes, Fluxys' unique position in terms of location, skills and know-how enables it to seize opportunities to invest in new and existing natural gas transmission networks, pipelines or LNG terminalling projects. This will enable Fluxys to further consolidate its position on the major gas transit axes. Implementing such projects could give rise to various risks and uncertainties, such as differences in corporate culture, services, regulation, markets, operational and technical risks, timely commissioning and budget overruns. Therefore, Fluxys conducts an in-depth risk analysis for every project and monitors it closely. Furthermore, major projects intended to boost capacity are backed by long-term contracts.

**Exchange rate risk.** Some of the Fluxys group's current cash flows are generated in currencies other than the euro, primarily in CHF, GBP and SEK. Since the euro is the Fluxys group's functional currency, a fluctuation in the exchange rate between the euro and the cash flows in foreign currencies could affect Fluxys' income statement and consolidated balance sheet when these currencies are converted into euro. However, in line with the group's financial policy, these exchange rate risks are hedged as soon as they become certain by financial instruments such as *foreign exchange swaps, forwards* and *cross currency rate swaps*. As far as possible, these financial instruments are qualified as hedging instruments, so that the accounting impact of exchange-rate variations on the income statement is limited.

**Interest rate risk.** Some of the Fluxys group's current loans were taken out at floating interest rates. A fluctuation in interest rates could affect Fluxys' income statement. However, in line with the group's financial policy, these risks are hedged as much as possible by financial instruments such as *interest rate swaps* (IRS). In some financing contracts, the interest to be paid at floating rates under the loan agreement was limited to 0% (in some cases, this limit only relates to the benchmark interest rate, in all other cases to the all-in interest rate, including the margin). With this in mind, in February 2017 the FluxSwiss and Transitgas loans were refinanced, as they were the most exposed to inadequate hedging in a market environment of negative, short-term interest rates. As such, IRS hedging was replaced by CAP type hedging instruments, completely lifting the exposure to the risk of floating interest rates for these two loans. In contrast, the decision was made not to hedge a loan at floating interest rates as long as said loan is intended to finance current assets.

**Counterparty risk.** Cash surpluses belonging to Fluxys group subsidiaries are deposited with Fluxys under *cash pooling* agreements (except for Flux Re, subsidiaries with project loans, and subsidiaries where Fluxys does not own a majority stake in the share capital). These cash surpluses are lent to group subsidiaries through intra-group loans at market conditions. The monitoring performed by Fluxys on its subsidiaries makes this counterparty risk on subsidiaries limited and under control. Residual cash surplus within the group is invested in financial products. The risk of a counterparty defaulting is very low at Fluxys level, since Fluxys invests the cash surplus with prominent financial institutions, in financial instruments issued by companies with an *investment grade* rating or in financial instruments issued by companies which a creditworthy public majority shareholder.

As per its policy for managing counterparty risk, Fluxys performs a credit analysis of its customer base in terms of profitability, liquidity and solvency based on internal information as well as specialised databases with financial information and market research. This analysis is supplemented with external credit rating information when available. Through this approach, the group's exposure to credit risk both in terms of default and in terms of concentration of customers is reduced. Major suppliers are also screened in order to safeguard the long-term prospects of the collaboration.

**Liquidity risk.** The Fluxys group runs a capital-intensive business and as such relies on external financing (among other things) to fund its operational and investment activities. In the scope of its business development and refinancing obligations, the group is subject to a liquidity risk. Financial markets do not always offer sufficient access to the required liquidities, especially in times of economic or geopolitical instability. Fluxys' policy is to retain its privileged access to capital through the implementation of adequate and confirmed credit lines, a strong network of banks and investors, and the solid financial parameters for the company's creditworthiness that make Fluxys a reliable counterparty for lenders.

## 11. Corporate governance

### 11.1. Framework

**Legal aspects.** Fluxys is subject to Belgian legislation and accordingly has developed a corporate governance charter describing how the company works. Among others, the corporate governance charter contains internal organisation rules for the Audit Committee and the Appointment and Remuneration Committee, which are set up within the Board of Directors.

**Code of Conduct.** Furthermore, Fluxys has established a Code of Conduct, describing the principles of integrity, ethics and general conduct that are applicable to all Fluxys employees.

### 11.2. Composition of the Board of Directors

At the Ordinary Annual General Meeting (OAGM) held on 9 May 2017, Christian Viaene's directorship was renewed for a period of one year until the 2018 OAGM. The directorship of Louis-M. St-Maurice was also renewed for a period of six years, until the 2023 OAGM. Louis-M. St-Maurice, however, submitted his resignation with effect from 31 December 2017. On 31 January 2018, the Board of Directors co-opted Chantale Pelletier to continue this directorship, with effect from 1 January 2018. A decision on her permanent nomination shall be made at the next General Meeting.

The procedure for renewing directorships and new appointments by the Appointment and Remuneration Committee was complied with.

### 11.3. Attendance fee

Directors receive an attendance fee of €250 for each Board and Committee meeting they attend.

## 11.4. Auditor

The Ordinary Annual General Meeting determined the annual emoluments of Deloitte SCRL, Réviseurs d'entreprise. In 2017, Deloitte received emoluments totalling €475,219 for its work as auditor of Fluxys SA. Deloitte also performed other tasks worth a total of €113,751. This remuneration is broken down as follows:

- Audit services as auditor for the group: €271,200
- Audit services as auditor for group subsidiaries: €204,019
- Services to provide security by the auditor: €88,041
- Services to provide security by associates of the auditor: €1,730
- Other consulting services provided by associates of the auditor: €23,980







## II. CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

### 1. General information on the company

**Corporate name and registered office.** The registered office of the parent entity Fluxys SA is Avenue des Arts 31, B – 1040 Brussels, Belgium.

**Group activities.** The Fluxys Group's activities are essentially split into two main clusters.

The first focuses on the transmission and storage of natural gas as well as terminalling services for liquefied natural gas (LNG) in Belgium. In addition to these activities which fall under the Gas Act<sup>1</sup>, the Fluxys Group also carries out complementary services related to the activities described above.

The second essentially covers activities outside Belgium.

Please refer to the specific chapters in the directors' report for further information on the activities of the Fluxys Group.

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<sup>1</sup> Act of 12 April 1965 concerning the transmission of gaseous and other products by pipelines as later amended.

## 2. Consolidated financial statements of the Fluxys Group under IFRS

### 2.1. Consolidated balance sheet

Consolidated balance sheet		In thousands of €	
	Notes	31-12-2017	31-12-2016
<b>I. Non-current assets</b>		<b>5,796,307</b>	<b>5,977,945</b>
Property, plant and equipment	5.1	4,071,140	4,315,600
Intangible assets	5.2	593,876	739,340
Goodwill	5.3	1,924	1,924
Investments in associates and joint ventures	5.4	551,351	500,188
Other financial assets	5.5/6	93,923	62,410
Loans and receivables	5.6/6	468,264	332,377
Other non-current assets	5.6	15,829	26,106
<b>II. Current assets</b>		<b>698,299</b>	<b>607,049</b>
Inventories	5.7	29,891	24,086
Other current financial assets	6	4,088	6,144
Current tax receivable		2,851	2,213
Trade and other receivables	5.8/6	210,073	167,746
Cash investments	5.9/6	162,696	105,348
Cash and cash equivalents	5.9/6	265,668	280,084
Other current assets	5.10	23,032	21,428
<b>Total assets</b>		<b>6,494,606</b>	<b>6,584,994</b>

Consolidated balance sheet		In thousands of €	
	Notes	31-12-2017	31-12-2016
<b>I. Equity</b>	5.11	<b>2,331,044</b>	<b>2,403,901</b>
Equity attributable to the parent company's shareholders		1,805,236	1,805,657
<i>Share capital and share premiums</i>		1,782,781	1,782,472
<i>Retained earnings and other reserves</i>		42,161	17,501
<i>Translation adjustments</i>		-19,706	5,684
Non-controlling interests		525,808	598,244
<b>II. Non-current liabilities</b>		<b>3,344,076</b>	<b>3,405,634</b>
Interest-bearing liabilities	5.12/6	2,723,882	2,603,921
Provisions	5.13.2	18,649	18,879
Provisions for employee benefits	5.14	62,517	66,811
Other non-current financial liabilities	6	2,006	27,688
Deferred tax liabilities	5.15	537,022	688,335
<b>III. Current liabilities</b>		<b>819,486</b>	<b>775,459</b>
Interest-bearing liabilities	5.12/6	637,257	573,267
Provisions	5.13.2	325	6,841
Provisions for employee benefits	5.14	3,984	4,612
Other current financial liabilities	6	0	542
Current tax payables		36,852	38,527
Trade and other payables	5.16/6	121,692	132,622
Other current liabilities		19,376	19,048
<b>Total liabilities and equity</b>		<b>6,494,606</b>	<b>6,584,994</b>

## 2.2. Consolidated income statement

Consolidated income statement		In thousands of €	
	Notes	31-12-2017	31-12-2016
Operating revenue	4.1	1,012,986	1,027,448
Sales of gas related to balancing operations and operational needs		73,083	49,093
Other operating income	4.2	10,273	13,603
Consumables, merchandise and supplies used	4.3.1	-3,888	-3,837
Purchase of gas related to balancing of operations and operational needs		-81,649	-54,333
Miscellaneous goods and services	4.3.2	-220,183	-213,789
Employee expenses	4.3.3	-128,075	-134,248
Other operating expenses	4.3.4	-10,116	-11,119
Net depreciation	4.3.5	-419,367	-424,435
Net provisions	4.3.5	6,400	5,882
Impairment losses	4.3.5	831	2,009
<b>Profit/loss from continuing operations</b>		<b>240,295</b>	<b>256,274</b>
Earnings from associates and joint ventures	4.6	15,294	-4,711
<b>Profit/loss before financial result and tax</b>		<b>255,589</b>	<b>251,563</b>
Change in the fair value of financial instruments	4.5.4	-2,924	14,324
Financial income	4.4	21,270	18,488
Finance costs	4.5	-95,832	-127,704
<b>Profit/loss from continuing operations after net financial result</b>		<b>178,103</b>	<b>156,671</b>
Income tax expenses	4.7	-12,994	-38,387
<b>Net profit/loss for the period</b>	<b>4.8</b>	<b>165,109</b>	<b>118,284</b>
Fluxys share		120,476	76,928
Non-controlling interests		44,633	41,356

## 2.3. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	In thousands of €		
	Notes	31-12-2017	31-12-2016
<b>Net profit/loss for the period</b>	<b>4.8</b>	<b>165,109</b>	<b>118,284</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of employee benefits	5.13.1	-3,488	-10,169
Income tax expense on these variances		1,301	3,370
Other comprehensive income from investments in associates - Remeasurements of employee benefits		195	74
Tax expenses – variations in tax rates	(1)	36,399	0
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net investments in foreign operations – Translation adjustments <sup>2</sup>		-56,567	-65,972
Net investments in foreign operations – Hedging instruments	6	11,942	3,557
Tax expenses on these foreign exchange hedging instruments		-2,986	-889
Cash flow hedges	6	4,019	5,142
Tax expenses on these cash flow hedging instruments		-950	-1,508
Other comprehensive income from investments in associates – Cash flow hedges		1,691	-4,981
<b>Other comprehensive income</b>		<b>-8,444</b>	<b>-71,376</b>
<b>Comprehensive income for the period</b>		<b>156,665</b>	<b>46,908</b>
Fluxys share		138,324	46,243
Non-controlling interests		18,341	665

(1) The corporate tax reform in Belgium generates a non-recurring revision of deferred taxes accounted for in the past. This downwards revision of deferred taxes on the liability side of the balance sheet is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement (see Note 2.21), i.e. the revaluation of property, plant and equipment (€37.7 million), the staggered taxation of capital gains on property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.7 million). The balance of this revision is accounted for in the net profit/loss for the period (€31.8 million - see Notes 2.21 and 4.7.2).

<sup>2</sup> Decrease due to the fall in GBP and CHF rates.

## 2.4. Consolidated statement of changes in equity

### Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Cash flow hedge
<b>I. OPENING BALANCE as at 31-12-2015</b>	<b>1,698,915</b>	<b>80,876</b>	<b>102,623</b>	<b>-9,961</b>
1. Net profit/loss for the period	0	0	76,928	0
2. Other comprehensive income	0	0	0	-3,015
3. Dividends paid	0	0	-132,052	0
4. Changes in the consolidation scope	0	0	-2,791	0
5. Capital increases/decreases	2,426	255	0	0
6. Other changes	0	0	0	0
<b>II. CLOSING BALANCE AS AT 31-12-2016</b>	<b>1,701,341</b>	<b>81,131</b>	<b>44,708</b>	<b>-12,976</b>
1. Net profit/loss for the period	0	0	120,476	0
2. Other comprehensive income	0	0	0	2,728
3. Dividends paid	0	0	-138,749	0
4. Changes in the consolidation scope	0	0	-305	0
5. Capital increases/decreases	276	33	0	0
6. Other changes	0	0	0	0
<b>III. CLOSING BALANCE AS AT 31-12-2017</b>	<b>1,701,617</b>	<b>81,164</b>	<b>26,130</b>	<b>-10,248</b>

Net investments in foreign operations	Reserves for employee benefits	Translation adjustments	Other comprehensive income(1)	Equity attributable to the parent company's shareholders	Non- controlling interests	Total equity
-11,581	589	30,115	0	1,891,576	676,571	2,568,147
0	0	0	0	76,928	41,356	118,284
2,645	-5,884	-24,431	0	-30,685	-40,691	-71,376
0	0	0	0	-132,052	-75,921	-207,973
0	0	0	0	-2,791	-3,065	-5,856
0	0	0	0	2,681	-6	2,675
0	0	0	0	0	0	0
<b>-8,936</b>	<b>-5,295</b>	<b>5,684</b>	<b>0</b>	<b>1,805,657</b>	<b>598,244</b>	<b>2,403,901</b>
0	0	0	0	120,476	44,633	165,109
9,766	-3,506	-25,390	34,250	17,848	-26,292	-8,444
0	0	0	0	-138,749	-60,636	-199,385
0	0	0	0	-305	-275	-580
0	0	0	0	309	-29,866	-29,557
0	0	0	0	0	0	0
<b>830</b>	<b>-8,801</b>	<b>-19,706</b>	<b>34,250</b>	<b>1,805,236</b>	<b>525,808</b>	<b>2,331,044</b>

(1) Group share of the impact of the tax reform in Belgium (see comment on the preceding point).



## 2.5. Consolidated statement of cash flows (indirect method)

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2017	31-12-2016
<b>I. Cash and cash equivalents, opening balance</b>	<b>280,084</b>	<b>291,920</b>
<b>II. Net cash flows from operating activities</b>	<b>569,292</b>	<b>560,598</b>
<b>1. Cash flows from operating activities</b>	<b>677,477</b>	<b>680,099</b>
<b>1.1. Profit/loss from continuing operations</b>	<b>240,295</b>	<b>256,274</b>
<b>1.2. Non cash adjustments</b>	<b>461,947</b>	<b>454,555</b>
1.2.1. Depreciation	419,367	424,435
1.2.2. Provisions	-6,400	-5,882
1.2.3. Impairment losses	-831	-2,009
1.2.4. Translation adjustments	50,522	37,915
1.2.5. Non cash adjustments	-711	96
<b>1.3. Changes in working capital</b>	<b>-24,765</b>	<b>-30,730</b>
1.3.1. Inventories	-5,805	5,150
1.3.2. Tax receivables	-638	575
1.3.3. Trade and other receivables	-27,168	-34,949
1.3.4. Other current assets	-269	-3,124
1.3.5. Tax payables	-638	575
1.3.6. Trade and other payables	8,679	3,306
1.3.7. Other current liabilities	328	-4,272
1.3.8. Other changes in working capital	746	2,009
<b>2. Cash flows relating to other operating activities</b>	<b>-108,185</b>	<b>-119,501</b>
2.1. Current tax paid	-114,299	-116,903
2.2. Interests from investments, cash and cash equivalents	14,007	9,360
2.3. Inflows related to associates and joint ventures (dividends received)	148	9,444
2.4. Other inflows (outflows) relating to other operating activities	-8,041	-21,402

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2017	31-12-2016
<b>III. Net cash flows relating to investment activities</b>	<b>-433,021</b>	<b>-321,146</b>
<b>1. Acquisitions</b>	<b>-407,726</b>	<b>-357,329</b>
1.1. Payments to acquire property, plant and equipment, and intangible assets	-167,224	-144,301
1.2. Payments to acquire subsidiaries, joint arrangements or associates	-61,464	-177,131
1.3. Payments to acquire other financial assets(3)	-179,038	-35,897
<b>2. Disposals</b>	<b>30,052</b>	<b>20,156</b>
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	1,925	2,287
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates(1)	9,122	0
2.3. Proceeds from disposal of other financial assets	19,005	17,869
<b>3. Dividends received classified as investment activities</b>	<b>9</b>	<b>9</b>
<b>4. Subsidies received</b>	<b>2,116</b>	<b>0</b>
<b>5. Other cash flows relating to investment activities</b>	<b>-57,472</b>	<b>16,018</b>
<b>IV. Net cash flows relating to financing activities</b>	<b>-141,125</b>	<b>-245,233</b>
<b>1. Proceeds from cash flows from financing</b>	<b>729,324</b>	<b>261,232</b>
1.1. Proceeds from issuance of equity instruments	309	2,681
1.2. Proceeds from issuance of treasury shares	0	0
1.3. Proceeds from finance leases	0	0
1.4. Proceeds from other non-current assets	1,684	15,422
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities(2)	727,331	243,129
<b>2. Repayments relating to cash flows from financing</b>	<b>-574,569</b>	<b>-197,517</b>
2.1. Repurchase of equity instruments subsequently cancelled	0	0
2.2. Purchase of treasury shares(1)	-29,866	0
2.3. Repayment of finance lease liabilities	-6,993	-9,264
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-537,710	-188,253

(1) Capital reimbursements by FluxSwiss and GasBridge 1 and 2.

(2) With a view to refinancing a loan maturing in May 2018, Fluxys Belgium proceeded with a €350 million bond issue in October 2017. The loans issued by Fluxys SA explain the balance of the amount (see Note 5.12.3).

(3) Calls for funds paid to TAP in the form of loans are included in this item (€151.3 million).

<b>Consolidated statement of cash flows (indirect method)</b>	<b>In thousands of €</b>	
	<b>31-12-2017</b>	<b>31-12-2016</b>
<b>3. Interests</b>	<b>-79,746</b>	<b>-100,969</b>
3.1. Interest paid classified as financing	-79,746	-100,969
3.2. Interest received classified as financing	0	0
<b>4. Dividends paid</b>	<b>-199,385</b>	<b>-207,979</b>
<b>5. Bank overdrafts increased (decreased)</b>	<b>0</b>	<b>0</b>
<b>6. Other cash flows relating to financing activities (4)</b>	<b>-16,749</b>	<b>0</b>
<b>V. Net change in cash and cash equivalents</b>	<b>-4,854</b>	<b>-5,781</b>
Translation adjustments in cash and cash equivalents	-9,562	-6,055
<b>VI. Cash and cash equivalents, closing balance</b>	<b>265,668</b>	<b>280,084</b>

(4) In 2017, FluxSwiss and Transitgas proceeded to renegotiate their loans and at the same time to unwind their cash flow hedge instruments, these interest-rate swaps no longer being entirely effective in a negative interest rate environment. The amount paid to unwind these is included in this section.

## 3. Notes

### Note 1a. Shareholder structure and capital increases

As at 31 December 2017, Fluxys' shareholder structure was as follows:

- 77.62%: Publigas
- 19.93%: Caisse de dépôt et placement du Québec
- 2.13%: SFPI
- 0.32%: employees and management

In 2017, Fluxys proceeded to a capital increase for the group's employees and management of a total of €0.3 million.

### Note 1b. Statement of compliance with IFRS

The consolidated financial statements of the Fluxys Group have been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union. All amounts are stated in thousands of euro.

### Note 1c. Judgement and use of estimates

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, to assess the positive and negative consequences of unforeseen situations and events at the balance sheet date, and to form a judgement as to the revenues and expenses of the financial year.

Significant estimates made by the group in the preparation of the financial statements relate mainly to the fair value of acquired assets and assumed liabilities, (see Note 3), the valuation of the recoverable amount of property, plant and equipment and intangible assets, (see Notes 5.1 and 5.2), and the valuation of provisions, in particular for litigation (see Notes 5.13 and 7) and for pension and related liabilities (see Note 5.14).

If the use of certain assets is closely linked to market demand, the group uses a depreciation method based on the expected use of the assets concerned. Future economic benefits which these assets represent are mainly consumed by the group as a result of their use. A change in market demand could lead to a prospective review of the depreciation method on certain assets. A decision to proceed to a review of the depreciation method will be based on the group's past experience for similar assets.

The criteria used for the classification of joint arrangements are included in the accounting policies (see Note 2.4) and Note 3.2.

Due to the uncertainties inherent in all valuation processes, the group revises its estimates on the basis of regularly updated information. Future results may differ from these estimates.

Beside the use of estimates, group management also uses judgement in defining the accounting treatment for certain operations and transactions not addressed under the IFRS standards and interpretations concerned.

Therefore, in the balance sheet, the group records the regulatory liabilities corresponding to the excess of regulated revenue received according to the real costs to be covered by the authorised regulated tariffs. This difference is transferred to the income statement via the operating revenue to the balance sheet in the interest-bearing liabilities (non-current and current - See Notes 5.12.4 and 5.12.5).

The regulatory assets are accounted for (in the non-current loans and receivables or in the current trade and other receivables in the balance sheet) when the regulated revenue received is lower than the real costs to be covered by the authorised regulated tariffs. These latter are recognised inasmuch as the group considers their recovery highly likely.

This accounting method (see Note 2.20) has been determined by the group as no definitive guidance on 'rate-regulated activities' has been published to date.

## Note 1d. Date of authorisation for issue

The Board of Directors of Fluxys SA authorised these IFRS financial statements for issue on 28 March 2018.

## Note 1e. Changes or additions to the accounting principles and policies

The details provided in 2017 as regards the accounting methods and principles are underlined. They have no impact on the results for the financial year.

## Note 1f. Adoption of new accounting principles or revised IFRS standards

The following standards and interpretations are applicable as from 1 January 2017:

- Annual improvements to IFRS (2014-2016 round): Amendments to IFRS 12 (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7 – Statement of Cash Flows – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017) - See Note 5.12
- Amendments to IAS 12 – Income Taxes – Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017)

The standards applicable since 2017 have had no material impact on the group's financial statements.

At the date of authorisation of these financial statements, the standards and interpretations listed below have been issued but are not yet mandatory:

- Annual improvements to IFRS (2014-2016 round): Amendments to IFRS 1 and IAS 28 (effective for annual periods beginning on or after 1 January 2018)
- IFRS 9 Financial instruments and consequential amendments (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 Operating revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after January 2021 but not yet adopted at European level)

- Amendments to IFRS 2 Classification and measurement of share-based payment (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 4 Application of IFRS 9 Financial instruments with IFRS 4 Insurance contracts (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (date of entry into force postponed indefinitely as a result of which adoption at European level has also been postponed)
- Amendments to IFRS 28 Long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019 but not yet adopted at European level)
- IFRIC 22 Foreign currency transactions and advance consideration (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level)
- IFRIC 23 Uncertainty over income tax treatments (effective for annual periods beginning on or after 1 January 2019 but not yet adopted at European level)
- Annual improvements to IFRS (2015-2017 round) (effective for annual periods beginning on or after 1 January 2019 but not yet adopted at European level)
- Amendments to IAS 19 - Plan amendment, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019 but not yet adopted at European level)

The ongoing review of the application of IFRS 9, 15 and 16 to the group's financial statements reveals, at the current stage of analysis, the following effects:

- Certain transmission or LNG terminal installations are built on sites for which the group has long-term concessions. These site concession contracts will be booked as finance leases under IAS 17 (see Note 7.5).
- Certain building and vehicle leases will also be booked as finance lease contracts under IAS 17 (see Note 4.3.2).
- The assessment of credit risk under IFRS 9 relating to counterparty default should not have a significant impact on the group's financial statements (approximately -€0.2 million before taxes).
- Outside financial participations, the group mainly has financial assets generating cash flows corresponding only to repayments of the principal and interest payments on the principal that remains due. These financial assets are measured at amortised cost in accordance with IFRS 9. Some of these assets are measured at fair value with changes to the income statement in IAS 39. The reclassification of financial assets in IFRS 9 should have a positive impact of approximately €0.6 million before tax in the group financial statements.

- Under IFRS 9, renegotiated debts must be maintained at their original effective interest rates and the impact associated with the renegotiation immediately recognised in the income statement. This new approach puts an end to the current practice under IAS 39 which consists of spreading the renegotiated debt, the saving or the additional charge expected over the remaining term by prospectively adjusting the effective interest rate of the debt. The new accounting treatment, with retroactive effect, should have a non-recurring positive impact on the opening equity under IFRS 9. This profit will be compensated by the future expenses for the renegotiated debts of FluxSwiss and Transitgas, which will be determined based on their original effective interest rates.
- The group has analysed the potential impact of IFRS 15 on the accounting principles for revenue. The group confirms that at this stage of its analysis this standard will have no impact on the principles currently applied.
- The other expected effects of the application of these standards mainly concern the information to be provided in the notes in annex.



## Note 2. Accounting principles and policies

The accounting principles and policies were approved at the Fluxys Board of Directors meeting of 28 March 2018.

Changes or additions compared with the previous financial year are underlined.

### 2.1. General principles

The financial statements fairly present the Fluxys Group's financial position, results of operations and cash flows.

The group's financial statements have been prepared on the accrual basis of accounting, except for the cash flow statement.

Assets and liabilities have not been offset against each other, except when required or allowed by an international accounting standard.

Current and non-current assets and liabilities have been presented separately in the balance sheet of the Fluxys Group.

The accounting policies have been applied in a consistent manner.

### 2.2. Balance sheet date

The consolidated financial statements are prepared as of 31 December, i.e. the parent entity's balance sheet date.

When the financial statements of a subsidiary, a joint operation, a joint venture or an associate are not prepared as of 31 December, interim financial statements are prepared as at 31 December for consolidation purposes.

### **2.3. Events after the balance sheet date**

The book value of assets and liabilities at the balance sheet date is adjusted when events after the balance sheet date provide evidence of conditions that existed at the balance sheet date.

Adjustments can be made until the date of authorisation for issue of the financial statements by the Board of Directors.

Other events relating to circumstances arising after balance sheet date are disclosed in the notes to the consolidated financial statements, if significant.

### **2.4. Basis of consolidation**

The Fluxys Group's consolidated financial statements have been prepared in accordance with IFRS and in particular with IFRS 3 (Business Combinations), IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IAS 28 (Investments in Associates and Joint Ventures).

### **Subsidiaries**

The Fluxys Group's consolidated financial statements include the financial statements of the parent entity and the financial statements of the entities it controls and its subsidiaries.

The investor controls an investee when it is exposed—or has rights—to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investor has power over the investee when it holds existing rights that give the current ability to direct the relevant activities, i.e. the activities of the investee that significantly affect the investee's returns, even if it does not hold the majority of the voting rights in the investee concerned.

The parent entity must consolidate the subsidiary as of the date it obtains the control over it, and must cease to consolidate when it loses control over it. In this way revenues and charges of a subsidiary acquired or transferred in the course of the financial year are included in the consolidated income statement and in the consolidated statement of comprehensive income as of the date on which the

parent entity acquired the control over the subsidiary and up to the date on which it ceased to control the latter.

### **Joint operations**

A joint operation is a partnership in which the parties which exercise joint control over the company have rights to the assets and obligations for liabilities relating thereto. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

When a group entity carries out its activities in the framework of a joint operation, the group, as a co-participant, must account for the assets, liabilities, revenues and charges relating to its interests in the joint operation in accordance with the IFRS which apply to these assets, liabilities, revenues and charges.

### **Investments in associates and joint ventures**

An associate is an entity in which the group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over these policies.

A joint venture is a joint arrangement in which the parties exercising joint control over the undertaking have rights to the net assets of the undertaking. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

The results, assets and liabilities of associates or joint ventures are accounted for in the present consolidated financial statements in accordance with the equity method, unless the investment, or a part thereof, is classified as an asset held for sale in accordance with IFRS 5.

An investment in an associate or joint venture is initially accounted for at cost. It then integrates the share of the group in the net results and the other elements of the comprehensive result of the undertaking accounted for under the equity method. Finally dividends distributed by this entity decrease the value of the investment.

An associate is not accounted for under the equity method if its impact on the financial statements is immaterial.

## **2.5. Business combinations**

The group accounts for all business combinations using the acquisition method. This method is also used for business combinations under joint control in the event that the method is in line with the substance of the transaction and helps to give a true and fair view of the financial position.

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The costs connected to the acquisition are accounted for in the results when they are made.

Goodwill represents the surplus, at the acquisition date, of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree over the net fair value of identifiable assets acquired and liabilities assumed.

If after revaluation, the net fair value at the acquisition date of identifiable assets acquired and liabilities assumed is higher than the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree, the surplus will be accounted for immediately in the results of the period.

Goodwill is recognised as an asset. For the purpose of impairment tests, goodwill is allocated to the Group's cash-generating units expected to benefit from the synergies of the combination. An impairment test is carried out each year, even when there is no indication that goodwill may have been impaired, or more frequently if events or changes in circumstances indicate that goodwill may have been impaired (IAS 36 – Impairment of assets).

In case of a business combination realised in stages, the group reassesses the participation it previously held in the acquired company at the acquisition-date fair value and accounts for any gain or loss in the net results.

Changes in participations in subsidiaries of the group which do not result in a loss of control are recognised as equity transactions.

When the group loses control of a subsidiary, a gain or loss is accounted for in the net results and is calculated as the difference between:

- the total fair value of the consideration received and the fair value of any retained participation and
- the previous book value of the subsidiary's assets (including goodwill) and liabilities.

All amounts previously recognised in other items of comprehensive income relating to the subsidiary are recognised as if the group had directly disposed of the related subsidiary's assets or liabilities. They are reclassified to net results or transferred to another category of equity in accordance with applicable IFRS.

The fair value of any participation retained in the former subsidiary at the date of loss of control must be regarded as the fair value on initial recognition for subsequent recognition under IAS 39 or, where applicable, as the cost on initial recognition of an investment in an associate or joint venture.

## 2.6. Translation of foreign entities' financial statements

For consolidation purposes, the assets and liabilities of the group's foreign operations are translated into euro using the closing rate and the income and expenses are translated using the average exchange rate for the period unless the exchange rate has fluctuated considerably.

The group's share of the resulting exchange differences is reported as translation adjustment in the equity section of the balance sheet, whereas the non-controlling interests' share in those differences is reported as 'non-controlling interests' in equity.

## 2.7. Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

Intangible assets are recognised at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Intangible assets with a limited useful life are depreciated over their useful life.

The main depreciation periods are as follows:

- 40 years for the fixed asset 'sole operator of the natural gas transmission network and storage facilities' in Belgium;
- 20 to 40 years for the customer portfolios;
- 20 years for the fixed asset 'sole operator of the LNG facilities';
- 5 years for computer software.

Intangible assets 'customer portfolios' may be depreciated under a diminishing balance method which reflects more closely the way that the Group expects to consume the future economic benefits associated with these assets.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

Intangible assets are reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In case such indications are noted, an estimate of the recoverable amount of the related intangible assets is made. The recoverable amount is defined as the higher of the fair value less costs to sell of an asset and its value in use.

The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discounting rate.

Intangible assets are impaired when their book value exceeds the amount that can be recovered, as a result of obsolescence of these assets or due to economic or technological circumstances.

Intangible assets with an indefinite useful life are subject to an annual impairment test, and an impairment loss is recognised when their book value exceeds their recoverable amount.

The useful life, the depreciation method, as well as the potential residual value of intangible assets are reassessed at each balance sheet date and revised prospectively, if applicable.

### **Emission rights for greenhouse gases**

Emission rights for greenhouse gases acquired at fair value are recognised as intangible assets at their acquisition cost. Rights granted free of charge are recognised as intangible assets at a nil book value.

The emission of greenhouse gases in the atmosphere is recognised as an operating expense, the counterpart being a liability for the obligation to deliver allowances covering the effective emission over the period concerned (other debts).

This expense is measured by reference to the weighted average cost of the acquired or granted allowances.

This liability is derecognised on the delivery of allowances to the government by withdrawing emission rights from intangible assets.

In case the allowances are insufficient to cover the emission of greenhouse gases during the financial year, the group accounts for a provision. This provision is measured by reference to the market value at the balance sheet date of the allowances yet to be purchased.

The excess emission rights not sold on the market are valued at the balance sheet date by reference to the weighted average cost of the acquired or granted allowances, or at market value if lower than the weighted average cost.

## **2.8. Property, plant and equipment**

Property, plant and equipment (PPE) is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

PPE is recognised at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

PPE is reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In the event that such indications are noted, an estimate of the recoverable amount of the related PPE is made. The recoverable amount is defined as the higher of the fair value less costs to sell of an asset and its value in use.

The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discounting rate.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards included in the ownership of an asset to the lessee. Assets held under these contracts are recognised at the lower of their fair value and the present value of the minimum lease payments under the lease contracts. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance costs and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability for each period.



### **Capital subsidies and tax deductions for investment**

Subsidies related to property, plant and equipment as well as contributions by third parties in the funding of such assets are deducted from the acquisition cost of these assets.

The tax benefit arising from the deductions for investment reduces the gross value of the related assets, the counterpart being deferred taxes.

### **Depreciation methods**

PPE is depreciated over its useful life.

Each significant component of PPE is recognised separately and depreciated over its useful life.

The depreciation method reflects the rate at which the group expects to consume the future economic benefits related to the asset, taking into account the time during which the assets may generate regulated revenue.

The regulated investments intended to increase the security of supply in Europe are depreciated under a diminishing balance method, which more accurately reflects the rate at which the group expects to consume the future economic benefits of these assets.

The maximum useful lives are as follows:

- 50 to 55 years for transmission pipelines, terminalling facilities and tanks,
- 50 years for administrative buildings, staff housing and facilities;
- 40 years for storage facilities;
- 33 years for industrial buildings;
- 20 years for investments related to the extensions of the Zeebrugge LNG terminal;
- 10 years for equipment and furniture;
- 5 years for vehicles and site machinery;
- 4 years for computer hardware;
- 3 years for prototypes;
- 10 to 40 years for other installations.

The useful life, the depreciation method, as well as the potential residual value of property, plant and equipment are reassessed at each balance sheet date and revised prospectively, if applicable.

## **2.9. Unconsolidated investments (such as shares and equity rights)**

Unconsolidated equity investments are recognised at fair value or at cost if their fair value cannot be reliably established.

Changes in fair value are recognised directly in other comprehensive income until the asset is derecognised, at which time the cumulative amount in other comprehensive income is transferred from equity to the income statement.

In case of objective indications of impairment of unconsolidated equity investments, an impairment test is carried out, and, if necessary, an impairment loss is directly recognised in the income statement.

## **2.10. Finance lease receivables**

Assets under finance lease are assets for which the group substantially transfers risks and rewards related to the economic ownership to the lessee. Assets leased under such contracts are recognised on the balance sheet as receivables in an amount equal to the net investment in the lease contract in question.

Lease payments are apportioned between financial income and a reduction of the lease receivable so as to achieve a constant rate of return on the net investment by the group in the finance lease contract.

When the classification of contracts under finance lease is based on the present value of the minimum lease payments, the following criteria is adopted: a contract is considered as finance lease if the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset at the start of the lease contract.

No residual value is assumed for gas transmission assets in Belgium, due to the specific nature of the activities concerned.

## **2.11. Inventories**

### **Valuation**

Inventories are valued at the lower of cost and net realisable value.

Inventories are written down to account for:

- a reduction in net realisable value, or
- impairment losses due to unforeseen circumstances related to the nature or use of the assets.

These write-downs on inventories are recognised in the income statement in the period in which they arise.

### **Gas inventory**

Gas inventory changes are valued under the weighted average cost method.

### **Supplies and consumables**

Supplies and consumables are valued under the weighted average cost method.

**Work in progress**

Work in progress for third parties is valued at cost, including indirectly attributable costs.

When the outcome of a contract can be reliably estimated, contract revenue and expenses are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance sheet date.

Any expected loss is recognised immediately as an expense in the income statement.

**2.12. Borrowing costs**

Borrowing costs directly attributable to the acquisition, building or production of assets requiring a substantial period of time to get ready for their intended use (property, plant and equipment, inventories, investment property, etc.) are added to the costs of the assets concerned until they are ready for use or sale.

The amount of the borrowing costs to be capitalised is the actual cost incurred in borrowing the funds, as reduced by income from any temporary investment of these funds.

**2.13. Financial instruments****Cash investments**

Investments in the form of bonds or commercial paper, having a maturity date exceeding three months, are reported as financial assets at fair value with changes to the income statement. These are shown in the balance sheet under non-current 'other financial assets' and under current 'investments'. Changes in the fair value of these financial assets are directly recognised in the income statement.

The other investments are valued at depreciated cost.

### **Derivative instruments**

The Fluxys Group uses derivative financial instruments to hedge its exposure to exchange and interest rate risks.

### **Derivative instruments not designated as hedging instruments**

Certain financial instruments, although hedging clearly defined risks, do not meet the strict criteria for the application of hedge accounting under IAS 39 – Financial Instruments: Recognition and Measurement.

Changes in the fair value of these financial instruments are directly recognised in the income statement.

### **Derivative instruments designated as hedging instruments**

Changes in the fair value of financial instruments designated as hedges of a net investment in an activity abroad, and which meet the associated conditions, are recognised directly in equity provided that they relate to the effective portion of the hedge and that the changes in fair value result from changes in exchange rate.

Gains or losses on hedging instruments recognised directly in equity must be recognised in the income statement when the activity abroad leaves the consolidation scope.

Changes in the fair value of financial instruments designated as cash flow hedges are recognised directly in group equity. The ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement. If the planned transaction is no longer likely to take place, gains or losses on the hedging instruments which were recognised directly in equity are recognised in the income statement.

## **2.14. Cash and cash equivalents**

Cash and cash equivalents include short-term investments, short-term bank deposits and deposits readily convertible to a known cash amount, which are subject to an insignificant risk of changes in value (maximum of three months).

Cash equivalents held in the form of bonds or commercial paper are reported as financial assets at fair value with changes to the income statement. Changes in the fair value of these financial assets are directly recognised in the income statement.

Cash and other cash equivalents are valued at depreciated cost.

### **2.15. Trade and other receivables**

Trade and other receivables are stated at their face value reduced by any amounts deemed unrecoverable.

When the time value of money is significant, trade and other receivables are discounted.

Impairment losses are recognised when the book value of these items at balance sheet date exceeds their recoverable amount.

### **2.16. Provisions**

Provisions are recognised as a liability in the balance sheet when they meet the following criteria:

- the group has a present (legal or constructive) obligation arising from past events, and
- it is probable (i.e. more likely than not) that the settlement of this obligation will lead to an outflow of resources embodying economic benefits, and
- the amount of the obligation can be reliably estimated.

No provision is recognised if the above conditions are not met.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words the amount the entity reasonably expects to need to pay to discharge the obligation at balance sheet date, or to transfer it to a third party at the same date.

This estimation is based either on a request from a third party or on estimates or detailed calculations. For all provisions recognised, management considers that the probability of an outflow of resources exceeds 50%.

When the time value of money is significant, provisions are discounted. The discount rate used is a rate before tax reflecting current market estimates of the time value of money and taking into account any risks associated with the type of liability in question.

All risks incurred by the group that do not comply with the above-mentioned criteria are disclosed as contingent liabilities in the Notes.

### **Employee benefits**

Some companies in the Fluxys Group have established supplementary 'defined benefit' or 'defined contribution' pension plans. Benefits provided under these plans are based on the number of years of service and the employee's salary.

'Defined benefit' pension plans enable employees to benefit from a capital sum calculated on the basis of a formula which takes account of their annual salary at the end of their career and their seniority when they retire.

'Defined contribution' pension plans provide employees with a capital sum accumulated from personal and employer contributions based on their salary.

In Belgium, the law requires that the employer guarantee a minimum return for defined contribution plans, which varies based on market rates.

The accounting method used by the group to value these 'defined contribution pension plans, with a guaranteed minimum return', is identical to the method used for 'defined benefit' plans.

In case of death before retirement, these plans provide, in Belgium, a lump sum for the surviving spouse and benefits for the orphans.

#### **Other employee benefits:**

Certain group companies offer their employees post-employment benefits such as the reimbursement of medical costs and tariff reductions, and other long-term benefits (seniority premiums).

#### **Valuation**

These liabilities are valued annually by a qualified actuary.

Regular payments made in relation to the supplementary pension plans are recognised as expenses at the time they are incurred.

#### **'Defined benefit' pension plans**

Provisions for pensions and other collective agreements are reported in the balance sheet in accordance with IAS 19 (Employee Benefits), using the projected unit credit method (PUCM).

The current value of post-employment benefits is determined at each balance sheet date based on the projected salary estimated at the end of the employee's career, the rate of inflation, life expectancy, staff turnover and the expected age of retirement. The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds with maturity dates close to the weighted average maturity of the plans concerned and which are denominated in the currency in which the benefits are to be paid.

Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of those insurance policies is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full).



The amount accounted for in respect of post-employment liabilities corresponds to the difference between the current value of future obligations and the fair value of assets in the plan destined to cover them. Any deficit resulting from this valuation is subject to the recognition of a provision to cover this risk. In the opposite case, an asset is recognised in line with the surplus of the benefit pension plan, capped at the current value of any future reimbursement from the plan or any reduction in future contributions to the plan.

The remeasurements of the liabilities or assets in the balance sheet comprise:

- the actuarial gains or losses on the defined benefit liabilities resulting from adjustments relating to experience and/or changes in actuarial assumptions (including the effect of the change in the discount rate);
- the return on plan assets (excluding amounts included in net interest) and changes in the effect of the asset ceiling (excluding amounts included in net interest).

These remeasurements are directly recognised in equity ('Other comprehensive income') through the other items in comprehensive income.

#### **'Defined contribution' pension plans**

The liabilities of the group with regard to 'defined contribution' plans are limited to the employer contributions paid recorded in the results.

#### **Actuarial gains and losses relating to other long-term employee benefits**

The other long-term benefits are accounted for in the same way as the post-employment benefits, but remeasurements are fully accounted for in the financial results in the financial year in which they occur.

### **2.17. Interest-bearing liabilities**

Interest-bearing liabilities are recognised at the net amount received. Following initial recognition, interest-bearing liabilities are recorded at depreciated cost. The difference between the depreciated cost and the redemption value is recognised in the income statement under the effective interest rate method over the term of the liabilities.

## **2.18. Trade payables**

Trade payables are stated at face value.

When the time value of money is significant, trade payables are discounted.

## **2.19. Foreign currency assets, rights, borrowings and liabilities**

### **Recognition at the date of the transaction**

Foreign currency receivables and payables are measured at the exchange rate prevailing at the transaction date.

### **Measurement at balance sheet date**

At balance sheet date, in accordance with IAS 21 (Effects of Changes in Foreign Exchange Rates), monetary assets and liabilities, as well as rights and liabilities, are valued at the closing rate.

The resulting foreign currency translation gains and losses are recognised in the income statement.

## **2.20. Revenue recognition**

Revenue is measured at the fair value of the consideration received or to be received, in case revenue is deemed to belong to the company and the fair value can be measured reliably.

Regulated income received by the group may generate a gain or a loss compared with the target rate of return on the capital invested.

Gains are reported and recognised as regulatory liabilities (under interest-bearing liabilities, current or non-current), whereas losses are included in operating revenue to offset the accounting of regulatory assets (under non-current loans and receivables or under current trade and other receivables).

## 2.21. Income taxes

Current tax is determined in accordance with local tax regulations and calculated on the income of the parent entity, subsidiaries and joint operations.

Deferred tax liabilities and assets reflect, respectively, the future taxable and deductible temporary differences between the book value and the tax base of assets and liabilities.

Deferred tax liabilities and assets are measured at the income tax rate applicable to the financial year in which the underlying asset is expected to be realised or the underlying liability settled, considering the new rates if they are enacted or substantially enacted at the closing date.

Any later change in rates requires a change to the deferred taxes. This is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement. The balance of the change in deferred taxes is accounted for in the net profit/loss for the period.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the future deductible temporary differences can be offset.

## Note 3. Investments

### 3.1 Consolidation scope

The consolidation scope changed as follows in 2017:

This year, the consolidation scope and percentages of interest have changed as follows:

In the first half of 2017, Fluxys absorbed Fluxys Finance with retroactive effect in terms of tax and accounting to 1 January 2017. This merger by acquisition has no effect on the consolidated financial statements.

Fluxys Europe has created Fluxys Germany Holding, which has acquired 90% of Fluxys Deutschland. This intragroup restructure has no impact on the Fluxys SA group financial statements.

Fluxys Deutschland has taken a 16.5% stake in the Eugal project (European Gas Pipeline Link). The group's investments in this project amount to €34.3 million in 2017.

At the end of 2017, Fluxys also acquired, for €0.3 million, a 51% stake in Eloops, a company with the purpose of optimising capacity reservations on the German market. This company is accounted for using the equity method (see Note 5.4).

Finally, Fluxys SA acquired, for €0.5 million, an additional 0.03% in Fluxys Belgium and now holds 90% of the company. This acquisition causes non-controlling interests to reduce.

### 3.2 Nature and extent of stakes held in joint arrangements

#### **Transitgas and TENP KG**

Transitgas is a joint arrangement in which FluxSwiss exercises a joint control with the other joint operators.

Transitgas is qualified as a joint operation for the following reasons:

The purpose of the activities of Transitgas is essentially to put the capacity of its installations at the disposal of the joint operators. This gives them the right to almost all of the economic benefits of the assets of the operation. They also incur obligations against liabilities related to the operation. Indeed, the liabilities incurred by Transitgas are paid through cash flows received from the joint operators through the considerations paid for the capacity made available.

FluxSwiss holds 90% of the capacity of the Transitgas installations. The latter are therefore integrated for 90% in the consolidated financial statements of the group. This integration percentage is not based on the investment held in this company but on the rights to the assets and liabilities incurred by the group for the liabilities.

This method better reflects the risks and benefits of the joint operators related to the capacity reserved in the installations.

TENP KG is a joint arrangement in which Fluxys TENP exercises a joint control with the other joint operators.

The approach in the framework of this joint arrangement is identical as the one used for Transitgas, except that this joint operation is integrated for 64.25% in the consolidated financial statements of the group in accordance with the capacity reserved in the installations.

### 3.3. Nature and scope of the restrictions related to the assets and liabilities of the group

Special rights are attached to the special share of the Belgian State in Fluxys Belgium, other than the normal rights attached to all other shares. These special rights are exercised by the Federal Minister in charge of Energy and can be summarised as follows:

- The right to oppose all transfers, any assignment as security or change of the destination of strategic assets of Fluxys Belgium of which the list is set out in an annex to the royal decree of 16 June 1994, if the Federal Minister in charge of Energy considers that this operation prejudices the national interests in the area of energy;
- The right to appoint two representatives of the federal government with a consultative vote in the Board of Directors and the Strategic Committee of Fluxys Belgium.
- The right of the representatives of the federal government, within four business days, to appeal to the Federal Minister in charge of Energy on the basis of objective, non-discriminatory and transparent criteria, as defined in the Royal Decree of 5 December 2000, against any decision of the Board of Directors or any advice of the strategic Committee of Fluxys Belgium (including the investment and business plan and related budget) which they regard as contrary to the guidelines of the country's energy policy, including the government's objectives concerning the country's energy supply. The appeal is suspensive. If the Federal Minister in charge of Energy has not cancelled the decision concerned within eight business days after this appeal, it becomes final.
- A special voting right in case of deadlock in the General meeting on a matter concerning the objectives of the federal energy policy.

In addition, there are provisions at the level of GasBridge 1 and GasBridge 2 to enable to solve potential deadlock situations, provisions requiring a reallocation of shares among the partners in these companies. As a result, Fluxys Europe controls GasBridge 1 whilst GasBridge 2 is controlled by SNAM.

Other shareholders' agreements have been entered into within Fluxys Group subsidiaries. These provide for pre-emptive rights at the time of transfer of securities by a shareholder, as well as certain special majorities needed for decision-making in specific matters. These do not affect the control exercised by the group over its subsidiaries or the joint control over its joint operations.

There are no other significant restrictions that could limit the ability of the group to access or use its assets and discharge its liabilities. However it must be noted that the assets of Flux Re are destined to cover the risk of the company in the scope of its reinsurance activities. The total assets in the balance sheet of Flux Re amount to €171.3 million as at 31-12-2017 compared with €172.1 million as at 31-12-2016.

### 3.4. Information on investments

Fully consolidated entities						
Name of the subsidiary	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
FLUXYS BELGIUM SA	Avenue des Arts 31 B - 1040 Brussels	0402 954 628	90.00 %	Gas transmission	EUR	31 December
FLUXYS LNG SA	Rue Guimard 4 B - 1040 Brussels	0426 047 853	90.00 %	LNG terminalling	EUR	31 December
FLUX RE SA	Rue de Merl 74 L - 2146 Luxembourg	-	90.00 %	Reinsurance entity	EUR	31 December
FLUXYS EUROPE BV	Heerbaan 246 NL - 4817 Breda	-	100.00%	International activity	EUR	31 December
FLUXYS BBL BV	Heerbaan 246 NL - 4817 Breda	-	100.00%	Gas transmission	EUR	31 December
FLUXYS GERMANY HOLDING GmbH	Elisabethstr. 11 D - 40217 Düsseldorf	-	100.00 %	Holding	EUR	31 December
FLUXYS DEUTSCHLAND GmbH	Elisabethstr. 11 D - 40217 Düsseldorf	-	100.00%	Gas transmission	EUR	31 December
FLUXYS TENP GmbH	Elisabethstr. 11 D - 40217 Düsseldorf	-	100.00%	Gas transmission	EUR	31 December
FLUXSWISS SAGL	Via delle Scuole 8 CH - 6900 Paradiso	-	50.65 %	Gas transmission	CHF	31 December
FLUXYS UK Ltd <sup>3</sup>	Clarendon Road GB - Cambridge CB2 8FH	-	100.00%	International activity	GBP	31 December
GMSL Ltd	Clarendon Road GB - Cambridge CB2 8FH	-	100.00%	Services	GBP	31 December
FLUXYS INTERCONNECTOR Ltd <sup>4</sup>	Clarendon Road GB - Cambridge CB2 8FH	-	100.00%	International activity	GBP	31 December
GASBRIDGE 1 BV	Herikerbergweg 238 NL - 1101CM Amsterdam	-	50.00%	Holding	EUR	31 December
INTERCONNECTOR (UK) Ltd	Furnival Street 10 UK - London EC4A 1AB	-	50.75%	Gas transmission	GBP	31 December
INTERCONNECTOR ZEEBRUGGE TERMINAL SCRL	Rue Guimard 4 B - 1040 Brussels	0454 318 009	50.37%	Terminal	EUR	31 December

<sup>3</sup> Fluxys UK Ltd (company registration number 09829068) is exempt from the obligation of an external audit following the request for an exemption in accordance with section 479a of the 'Companies Act 2016' and for which Fluxys Europe is guarantor for the debts outstanding on the balance sheet date. Outstanding debts as at 31 December 2017 correspond exclusively to intragroup debts.

<sup>4</sup> Fluxys Interconnector Ltd (company registration number 09829086) is exempt from the obligation of an external audit following the request for an exemption in accordance with section 479a of the 'Companies Act 2016' and for which Fluxys Europe is guarantor for the debts outstanding on the balance sheet date. There was no financial debt outstanding as at 31 December 2017.

### Joint operations integrated based on rights on assets and obligations on liabilities

Name of the company	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
TENP KG	Gladbecker Strasse 425 D- 45138 Essen	-	64.25%	Leasing of facilities and services	EUR	31 December
TRANSITGAS AG	Baumackerstrasse 46 CH - 8050 Zurich	-	45.59 %	Leasing of facilities and services	CHF	31 December
BBL COMPANY VOF	Concourslaan 17 NL - 9700AE Groningen	-	20.00%	Gas transmission	EUR	31 December
NEL (Nordeuropäische Erdgasleitung)	-	-	23.87%	Gas transmission	EUR	31 December
EUGAL (European Gas Pipeline Link)	-	-	16.50 %	Gas transmission	EUR	31 December

### Subsidiaries with significant non-controlling interests

In thousands of €

	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*
100%	Fluxys Belgium Group	Swiss Group	Interconnector (UK)	Other subsidiaries (GasBridge 1)	TOTAL
Non-current assets	2,574,112	1,006,449	635,988		
Current assets	898,075	71,283	72,007		
Equity	848,978	470,793	407,973		
Non-current liabilities	2,065,910	521,185	199,286		
Current liabilities	557,299	85,754	100,736		
Operating revenue	588,873	176,980	212,480		
Operating expenses	-468,325	-84,876	-191,206		
Net financial result	-46,834	-20,363	-1,593		
Income tax expenses	6,320	-12,728	-4,041		
Net profit/loss for the period	80,034	59,013	15,640		
Balance sheet - Non-controlling interests	84,896	232,336	200,925	7,651	<b>525,808</b>
Profit/loss – non-controlling interests	8,003	29,123	7,703	-196	<b>44,633</b>

\* Figures on an annual basis are 100% subject to approval by the companies' management bodies and general meeting. Swiss Group corresponds to the consolidation of FluxSwiss integrating 90% of Transitgas.



Subsidiaries with significant non-controlling interests				In thousands of €	
	31-12-2016	31-12-2016	31-12-2016	31-12-2016	31-12-2016
100 %	Fluxys Belgium Group	Swiss Group*	Interconnector (UK)	Other subsidiaries (GasBridge 1)	TOTAL
Non-current assets	2,653,427	1,148,624	811,005		
Current assets	525,826	116,615	67,027		
Equity	819,824	521,139	506,837		
Non-current liabilities	2,172,601	634,826	289,564		
Current liabilities	186,828	109,274	81,631		
Operating revenue	570,342	168,928	221,421		
Operating expenses	-460,501	-83,085	-198,376		
Net financial result	-46,794	-24,547	-3,197		
Income tax expenses	-20,349	-13,827	9,020		
Net profit/loss for the period	42,698	47,469	28,868		
Balance sheet - Non-controlling interests	82,215	257,182	249,617	9,230	<b>598,244</b>
Profit/loss – non-controlling interests	4,282	23,426	14,217	-569	<b>41,356</b>

\* Swiss Group corresponds to the consolidation of FluxSwiss integrating 90% of Transitgas

Equity accounted investees – Joint ventures						
Name of the company	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
GAZ OPALE SA	Rue de l'Hermitte 30 Immeuble des 3 Ponts F - 59140 Dunkerque	-	61.75%	Services	EUR	31 December
TENP GmbH	Ruhrallee 74 D - 45138 Essen	-	50.00%	Services	EUR	31 December
BALANSYS SA	rue de Bouillon 59-61 L-1248 Luxembourg	-	50.00%	Balancing operator	EUR	31 December
E-LOOPS GmbH	Karolingerstraße 96 D - 45141 Essen	-	51.00 %	Services	EUR	31 December

Equity accounted investees - Associates						
Name of the company	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
DUNKERQUE LNG SAS	Rue de l'Hermitte 30 Immeuble des 3 Ponts F - 59140 Dunkerque	-	25.00%	LNG terminalling	EUR	31 December
GASBRIDGE 2 BV	Herikerbergweg 238 NL – 1101CM Amsterdam	-	50.00 %	Holding	EUR	31 December
SWEDEGAS HOLDING AB	Sergels Torg 12, 12th floor SE - 103 25 Stockholm	-	50.00%	Gas transmission	SEK	31 December
LNG LINK INVESTMENT AS	Luramyrveien 40 NO - 4391 Sandnes	-	25.00%	Shipping	NOK	31 December
MAHON SHIPPING SA	Rue Gachard 88 B - 1050 Brussel	0633 885 793	25.00%	Shipping	EUR	31 December
TRANS ADRIATIC PIPELINE AG	Lindenstrasse 2 CH – 6340 Baar	-	19.00 %	Gas transmission	EUR	31 December

Financial statements of equity accounted investees							In thousands of €
	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*
100 %	Dunkerque LNG	Trans Adriatic Pipeline AG	Swedegas Holding AB	GasBridge 2	Gaz Opale	Other companies	TOTAL
Non-current assets	1,234,352	2,894,730	629,141	65,048	148		
Current assets	103,485	161,659	25,604	15,345	21,362		
Equity	1,230,770	856,424	141,372	80,355	-493		
Non-current liabilities	28,829	1,919,309	506,612	0	2,374		
Current liabilities	78,238	280,656	6,761	38	19,629		
Operating revenue	191,371	6	42,649	0	13,785		
Operating expenses	-100,254	-27,458	-32,264	-151	-10,591		
Net financial result	-320	2,172	-9,891	-4	-90		
Investments in associates	0	0	0	1,952	0		
Income tax expenses	-17,922	3,616	-179	0	-1,158		
Net profit/loss for the period	72,875	-21,664	315	1,797	1,946		
Investments in associates	307,693	162,721	70,686	7,653	-304	2,902	<b>551,351</b>
Profit/loss from investments in associates	18,219	-4,116	158	-197	1,202	28	<b>15,294</b>

\* Figures before eliminations of intra-group operations on an annual basis at 100% and subject to the approval of the management bodies and the general meeting of the companies.

Financial statements of equity accounted investees						In thousands of €
	31-12-2016*	31-12-2016*	31-12-2016*	31-12-2016*	31-12-2016*	31-12-2016*
100 %	Dunkerque LNG	Trans Adriatic Pipeline AG	Knubbsal	GasBridge 2	Other companies	TOTAL
Non-current assets	1,210,633	1,803,491	662,704	81,077		
Current assets	108,277	119,022	28,634	18,440		
Equity	1,218,352	556,694	158,392	99,473		
Non-current liabilities	6,204	1,084,661	526,648	0		
Current liabilities	94,354	281,158	6,298	44		
Operating revenue	6,930	51	50,178	0		
Operating expenses	-21,699	-21,014	-34,092	-79		
Net financial result	524	2,426	-9,267	-290		
Investments in associates	0	0	0	4,020		
Income tax expenses	-1,571	2,883	-1,488	0		
Net profit/loss for the period	-15,816	-15,654	5,331	3,651		
Investments in associates	304,588	105,772	79,196	9,198	1,434	<b>500,188</b>
Profit/loss from investments in associates	-3,954	-2,974	2,666	-546	97	<b>-4,711</b>

\* Figures before eliminations of intra-group operations on an annual basis at 100%

## Main unconsolidated entities

Name of the company	Registered office	% ownership	Core business
BOOSTHEAT	Bld Marcel Sembat 41-47 F-69200 Venissieux	7.39%	Innovation in natural gas usage
NETCONNECT GERMANY GmbH & Co. KG	Kaiserswerther Str. 115 D-40880 Ratingen	10.00%	Conduct market area corporation
NETCONNECT GERMANY MANAGEMENT GmbH	Kaiserswerther Str. 115 D-40880 Ratingen	10.00%	Conduct market area corporation
PRISMA EUROPEAN CAPACITY PLATFORM GmbH	Schillerstraße 4 D-04109 Leipzig	12.40%	Transmission capacity reservation platform
FL ZEEBRUGGE NV	Chaussée de Gand 1440 B-1082 Brussel	12.69 %	Finance lease company
C4GAS SAS	Rue de La Pépinière 24 F-75008 Paris	10.00%	Purchasing portal

The Fluxys Group holds, through the Interconnector (UK) group, 12.69% of the company FL Zeebrugge NV, a company which provides tangible assets under finance lease to the company Interconnector Zeebrugge Terminal SCRL. The Interconnector (UK) group has subscribed to the bonds issued by FL Zeebrugge NV with a view to partially financing the assets provided under finance lease. The Interconnector (UK) group has a purchase option on these assets provided under finance lease which can be exercised until 2025. Although this entity is not consolidated, the assets held under finance lease are recognised under property, plant and equipment, offset with a finance lease debt.

## Note 4. Income statement and operating segments

### Operating segments

The Fluxys Group carries out activities in the following operating segments:

- The 'Belgium' segment comprises the regulated activities in Belgium and supplementary activities thereto,
- The 'Europe' segment comprises mainly activities outside Belgium.

The segment information is based on a classification into these operating segments.

The Belgium segment comprises all services subject to the Belgian Gas Act, i.e. transmission, storage in Loenhout and LNG terminalling services in Zeebrugge. Other activities with a link to these services are included in this segment, whether or not subject to the Gas Act. They mainly comprise the stake in the IZT and ZPT terminals<sup>5</sup>, making facilities or persons available as well as work for third parties.

The Europe segment comprises the revenue generated by the transmission facilities in Germany, Switzerland, between Zeebrugge in Belgium and Bacton in the UK (IUK) and between Balgzand in the Netherlands and Bacton in the UK (BBL), the revenue from the investments in Dunkerque LNG and Swedegas, gas dispatching services and the sale of software solutions.

The 'Unallocated' column comprises the governance and financial management activities of the Fluxys Group.

### Basis of accounting relating to transactions between operating segments

Transactions between operating segments are valued either at the current regulated tariff or on the basis of the contractual prices in accordance with market conditions.

### Information relating to the main customers

The group's main customers are users of transmission, storage and LNG terminalling services.

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<sup>5</sup> Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)

**Segment income statement at 31-12-2017**

In thousands of €

	Fluxys Belgium	Fluxys Europe	Unallocated	Elimination between segments	Total
Operating revenue					
Sales and services to external customers	508,951	503,204	831		1,012,986
Transactions with other sectors	1,577	0	6,517	-8,094	0
Sales of gas related to balancing operations and operational needs	66,096	6,987	0		73,083
Other operating income	12,248	1,464	586	-4,025	10,273
Consumables, merchandise and supplies used	-2,680	-1,208	0	0	-3,888
Purchase of gas related to balancing of operations and operational needs	-66,014	-15,635	0		-81,649
Miscellaneous goods and services	-122,996	-98,640	-10,666	12,119	-220,183
Employee expenses	-107,077	-14,165	-6,833	0	-128,075
Other operating expenses	-6,944	-3,167	-5	0	-10,116
Depreciation and amortisation	-168,846	-250,433	-88	0	-419,367
Provisions for risks and charges	5,399	996	5	0	6,400
Impairment losses	831	0	0	0	831
<b>Profit/loss from continuing operations</b>	<b>120,545</b>	<b>129,403</b>	<b>-9,653</b>	<b>0</b>	<b>240,295</b>
Earnings from associates and joint ventures	0	15,294	0		15,294
<b>Profit/loss before financial result and tax</b>	<b>120,545</b>	<b>144,697</b>	<b>-9,653</b>	<b>0</b>	<b>255,589</b>
Change in the fair value of financial instruments					-2,924
Financial income					21,270
Finance costs					-95,832
<b>Profit/loss from continuing operations after net financial result</b>					<b>178,103</b>
Income tax expenses					-12,994
<b>Net profit/loss for the period</b>					<b>165,109</b>

**Segment income statement at 31-12-2016**

In thousands of €

	Fluxys Belgium	Fluxys Europe	Unallocated	Elimination between segments	Total
Operating revenue					
Sales and services to external customers	508,145	518,861	442		1,027,448
Transactions with other sectors	1,345	7	5,373	-6,725	0
Sales of gas related to balancing operations and operational needs	47,245	1,848	0		49,093
Other operating income	14,743	2,940	3,271	-7,351	13,603
Consumables, merchandise and supplies used	-3,837	0	0	0	-3,837
Purchase of gas related to balancing of operations and operational needs	-47,138	-7,195	0		-54,333
Miscellaneous goods and services	-123,030	-92,730	-12,105	14,076	-213,789
Employee expenses	-113,438	-14,453	-6,357	0	-134,248
Other operating expenses	-7,332	-3,785	-2	0	-11,119
Net depreciation	-167,908	-256,405	-122	0	-424,435
Provisions for risks and charges	-964	6,858	-12	0	5,882
Net impairment losses	2,009	0	0	0	2,009
<b>Profit/loss from continuing operations</b>	<b>109,840</b>	<b>155,946</b>	<b>-9,512</b>	<b>0</b>	<b>256,274</b>
Earnings from associates and joint ventures	0	-4,711	0		-4,711
<b>Profit/loss before financial result and tax</b>	<b>109,840</b>	<b>151,235</b>	<b>-9,512</b>	<b>0</b>	<b>251,563</b>
Change in the fair value of financial instruments					14,324
Financial income					18,488
Finance costs					-127,704
<b>Profit/loss from continuing operations after net financial result</b>					<b>156,671</b>
Income tax expenses					-38,387
<b>Net profit/loss for the period</b>					<b>118,284</b>



## Note 4.1. Operating revenue

Analysis of operating revenue by business segment:

Operating revenue	In thousands of €			
	Notes	31-12-2017	31-12-2016	Change
Fluxys Belgium	4.1.1	508,951	508,145	806
Fluxys Europe and corporate	4.1.2	504,035	519,303	-15,268
<b>Total</b>		<b>1,012,986</b>	<b>1,027,448</b>	<b>-14,462</b>

Operating revenue for 2017 was €1,012,986 thousand compared with €1,027,488 thousand in 2016.

**4.1.1.** The 'Fluxys Belgium' segment comprises transmission, storage and terminalling services in Belgium which are subject to the Gas Act.

Revenue from these services aims to ensure an authorised return on capital invested and to cover the operating expenses related to these services, while integrating the productivity efforts to be accomplished by the network operator, as well as permitted depreciation.

Revenue from this segment also includes work and services for third parties and the provision of people and facilities.

Revenue from this segment is stable compared with the previous financial year. The stability of the regulated revenue can primarily be explained by the reduction in operational expenses which compensated the increase in the regulated authorised rate of return.

**4.1.2.** The 'Fluxys Europe' segment comprises mainly revenues generated by transmission facilities in Switzerland, Germany, between Bacton in the United Kingdom and Zeebrugge in Belgium (Interconnector UK) and between Balgzand in the Netherlands and Bacton in the United Kingdom (BBL), and gas flow monitoring services on behalf of third parties. The reduction in revenue in this segment can be explained by the negative effect of the fluctuation in GBP and CHF rates. Outside the impact of this decrease in exchange rates, the revenue is progressing, largely thanks to interruptible sales made by FluxSwiss.

## Note 4.2. Other operating income

Other operating income	In thousands of €		
	31-12-2017	31-12-2016	Change
Other operating income	10,273	13,603	-3,330

Other operating income mainly comprises various recoveries from insurance companies and other debtors and income earned from supplying property or people.

The reduction in penalties invoiced for late delivery and other recoveries from third parties explain the change in this section.

## Note 4.3. Operating expenses

Operating expenses excluding net depreciation impairment losses and provisions	In thousands of €		
	Notes	31-12-2017	31-12-2016
Consumables, merchandise and supplies used	4.3.1	-3,888	-3,837
Miscellaneous goods and services	4.3.2	-220,183	-213,789
Employee expenses	4.3.3	-128,075	-134,248
Other operating expenses	4.3.4	-10,116	-11,119
<b>Total operating expenses</b>		<b>-362,262</b>	<b>-362,993</b>
Of which costs related to lease agreements	4.3.2	-23,461	-24,740

#### 4.3.1. Consumables, merchandise and supplies used

Consumables, merchandise and supplies used mainly include costs for transport material taken out of inventory for maintenance and repair projects and costs for work carried out on behalf of third parties.

#### 4.3.2. Miscellaneous goods and services

Miscellaneous goods and services are mainly composed of:

	31-12-2017	31-12-2016
Purchase of equipment	-11,313	-12,524
Rent and rental charges (see Note 7.5)	-16,323	-16,079
Maintenance and repair expenses	-72,012	-60,568
Goods and services supplied to the group	-7,676	-8,605
Third-party remuneration	-54,952	-53,704
Royalties and contributions	-34,163	-38,247
Non-personnel related insurance costs	-13,779	-14,173
Other miscellaneous goods and services	-9,965	-9,889
	<b>-220,183</b>	<b>-213,789</b>

Miscellaneous goods and services include, in 2017, the royalties due for the French portion of the line between Dunkirk and Zeebrugge, and the increase in costs for the inspection of installations, mainly relating to the TENP. The efficiency efforts realised by the group allowed the aforementioned increase in costs to be partially compensated.

### 4.3.3. Employee expenses

The group's average headcount was 1,202 in 2017 compared with 1,231 in 2016. Expressed in FTE (full-time equivalents), these figures convert to 1,162.0 in 2017 compared to 1,189.2 in 2016.

Employee expenses are down €6,173 thousand. This can be explained by the change in headcount and by the non-recurring effects linked to the accounting, in 2016, of long-term employee benefits in accordance with IAS 19.

	Financial year		Preceding financial year	
	Total number of staff	Total In FTE	Total number of staff	Total In FTE
<b>Average number of employees</b>	<b>1,202</b>	<b>1,162.0</b>	<b>1,231</b>	<b>1,189.2</b>
<b>Fluxys</b>	<b>46</b>	<b>41.6</b>	<b>44</b>	<b>37.2</b>
Executives	35	31.3	35	28.9
Employees	11	10.3	9	8.3
<b>Fluxys Belgium</b>	<b>878</b>	<b>847.3</b>	<b>905</b>	<b>875.2</b>
Executives	272	265.4	274	268.2
Employees	606	581.9	631	607.0
<b>Fluxys LNG</b>	<b>39</b>	<b>38.8</b>	<b>40</b>	<b>38.8</b>
Executives	4	4.2	5	4.2
Employees	35	34.6	35	34.6
<b>Flux Re</b>	<b>1</b>	<b>0.5</b>	<b>1</b>	<b>0.5</b>
<b>Fluxys Europe</b>	<b>1</b>	<b>0.1</b>	<b>0</b>	<b>0.0</b>
<b>FluxSwiss</b>	<b>6</b>	<b>6.0</b>	<b>7</b>	<b>6.3</b>
<b>Fluxys TENP</b>	<b>11</b>	<b>11.0</b>	<b>11</b>	<b>10.8</b>
<b>Fluxys Deutschland</b>	<b>5</b>	<b>5.0</b>	<b>5</b>	<b>5.0</b>
<b>GMSL</b>	<b>96</b>	<b>95.0</b>	<b>94</b>	<b>94.2</b>
<b>Transitgas</b>	<b>51</b>	<b>49.6</b>	<b>50</b>	<b>48.9</b>
<b>Tenp KG</b>	<b>2</b>	<b>1.6</b>	<b>2</b>	<b>1.6</b>
<b>Interconnector (UK)</b>	<b>66</b>	<b>65.5</b>	<b>72</b>	<b>70.7</b>

## Workforce

	Financial year		Preceding financial year	
	Total number of staff	Total In FTE	Total number of staff	Total In FTE
<b>Headcount at balance sheet date</b>	<b>1,194</b>	<b>1,152.6</b>	<b>1,223</b>	<b>1,181.6</b>
<b>Fluxys</b>	<b>51</b>	<b>44.0</b>	<b>47</b>	<b>39.8</b>
Executives	39	32.7	37	30.5
Employees	12	11.3	10	9.3
<b>Fluxys Belgium</b>	<b>868</b>	<b>838.5</b>	<b>893</b>	<b>862.6</b>
Executives	270	263.5	272	266.0
Employees	598	575.0	621	596.6
<b>Fluxys LNG</b>	<b>39</b>	<b>38.6</b>	<b>39</b>	<b>38.8</b>
Executives	4	4.0	4	4.0
Employees	35	34.6	35	34.8
<b>Flux Re</b>	<b>1</b>	<b>0.5</b>	<b>1</b>	<b>0.5</b>
<b>Fluxys Europe</b>	<b>1</b>	<b>0.1</b>	<b>0</b>	<b>0</b>
<b>FluxSwiss</b>	<b>7</b>	<b>6.8</b>	<b>7</b>	<b>6.8</b>
<b>Fluxys TENP</b>	<b>11</b>	<b>11.0</b>	<b>11</b>	<b>11.0</b>
<b>Fluxys Deutschland</b>	<b>5</b>	<b>5.0</b>	<b>5</b>	<b>5.0</b>
<b>GMSL</b>	<b>97</b>	<b>96.5</b>	<b>96</b>	<b>95.7</b>
<b>Transitgas</b>	<b>50</b>	<b>48.4</b>	<b>52</b>	<b>50.4</b>
<b>Tenp KG</b>	<b>2</b>	<b>1.6</b>	<b>2</b>	<b>1.6</b>
<b>Interconnector (UK)</b>	<b>62</b>	<b>61.6</b>	<b>70</b>	<b>69.4</b>

### 4.3.4. Other operating expenses

Other operating expenses include property taxes, local taxes, and losses on disposals or retirements of property, plant and equipment.

The latter represented an expense of €447 thousand in 2017, compared with €1,583 thousand in 2016.

#### 4.3.5. Net depreciation, impairment losses and provisions

Net depreciation, impairment losses and provisions	In thousands of €		
	Notes	31-12-2017	31-12-2016
<b>Depreciation</b>	<b>4.3.5.1</b>	<b>-419,367</b>	<b>-424,435</b>
Intangible assets		-119,592	-130,063
Property, plant and equipment		-299,775	-294,372
<b>Impairment losses</b>		<b>831</b>	<b>2,009</b>
Inventories		831	2,009
<b>Provisions for risks and charges</b>		<b>6,400</b>	<b>5,882</b>
<b>Total net depreciation, impairment losses and provisions</b>		<b>-412,136</b>	<b>-416,544</b>

##### 4.3.5.1. Depreciation

The intangible assets resulting from the Fluxys business combinations have been depreciated in accordance with the accounting methods, namely predominantly over 40 years for the fixed asset 'sole operator of the natural gas transmission network and storage facilities' in Belgium, over 20 years for the fixed asset 'sole operator of the LNG facilities' and between 20 to 40 years for acquired customer portfolios.

Depreciation of property, plant and equipment is up due to commissioned installations, in particular the second jetty at the Zeebrugge terminal, as well as the additional depreciation recognised, for an amount of €14.8 million, on certain components of the TENP installations in Germany, the value of these latter having been brought down to zero. Following more in-depth inspections conducted on one of the two TENP pipelines, the TENP shareholders have this year decided, as a precautionary measure, to have additional tests conducted and as a result to temporarily decommission a large section of the pipeline. As a result, the capacity available in the infrastructure will be reduced for a long period of time, probably until September 2020.

In cooperation with other transmission network operators, Fluxys TENP ensures that the network users concerned in southern Germany have sufficient capacity to supply natural gas on the local market. The highest possible natural gas flows will be maintained in the direction of Italy.

The depreciation plan for 'Interconnector (UK)' was revised in 2016. This prospective revision can primarily be explained by the fact that the long-term capacity subscription contracts end in September 2018, the date on which the activities of Interconnector (UK) will be regulated. The depreciation recognised in 2017 is in line with this revised plan.

Discounts on the estimated future dividends, based on the 'Dividend Discount Model', supports the book value of the property, plant and equipment 'Interconnector (UK)' which comes to €466.3 million as at 31 December 2017.

The value in use of these facilities at the end of those contracts is highly sensitive to the assumptions made. These latter have been established by the group based on best estimates of future market demand, necessary maintenance investments and the estimated change in operating expenses. In March 2018 (see Note 10. Events after the balance sheet date), the group acquired an additional stake in Interconnector (UK) at a price lower than the consolidated value. The group estimates that this lower price does not require a revision of the depreciation plan and does not lead to the recognition of an impairment. Estimated future revenue covers all the anticipated costs, including depreciation, and allows the generation of returns close to the regulated authorised rate of return. The assumptions used by the group will be checked at the end of 2018, Interconnector (UK) currently operating under its new reference.

## Note 4.4. Financial income

Financial income	In thousands of €		
	Notes	31-12-2017	31-12-2016
Dividends from unconsolidated entities		9	9
Interest income on investments, cash and cash equivalents at fair value through profit and loss		7,801	7,520
Other interest income	4.4.1	6,652	4,277
Unwinding of discounts	4.4.2	764	0
Other financial income	4.4.3	6,044	6,682
<b>Total</b>		<b>21,270</b>	<b>18,488</b>

**4.4.1.** The increase in the amounts of the loans granted to TAP explains the increase in interest received by the group.

**4.4.2.** In 2017, the effects of discounting provisions for employee benefits are recognised in financial income. The rates used to discount these liabilities explain this change (see Notes 4.5.2 and 5.13).

**4.4.3.** Other financial income mainly reflects the exchange rate differences realised as part of our GBP and CHF transactions, an amount partly compensated by the fluctuation in the value of financial instruments (see Note 4.5.4).



## Note 4.5. Finance costs and change in the fair value of financial instruments

Finance costs		In thousands of €	
	Notes	31-12-2017	31-12-2016
Borrowing interest costs	4.5.1	-81,069	-98,723
Unwinding of discounts on provisions	4.5.2	-678	-897
Other finance costs	4.5.3	-14,085	-28,084
<b>Total</b>		<b>-95,832</b>	<b>-127,704</b>

**4.5.1.** Borrowing interest costs mainly include interest on loans from the EIB (European Investment Bank), on bonds, on finance lease debts, on bank loans, on subsidiary loans in foreign currencies, on regulatory liabilities, and short- and medium-term financing in place to cover the group's financial needs.

In 2017, FluxSwiss and Transitgas proceeded to renegotiate their loans and at the same time to unwind cash-flow hedge instruments, these interest-rate swaps no longer being entirely effective in a negative interest rate environment. These renegotiations, as well as the conditions of the latest loans granted, have led to a reduction in interest charges on debts whilst the cost of unwinding the interest-rate swaps is progressively transferred into the results (€4,112 thousand amortised via this item in the period under review).

**4.5.2.** The costs related to the unwinding of discounts are decreasing slightly. This change is analysed in Notes 5.13 'Provisions' and 5.14 'Provisions for employee benefits'.

**4.5.3.** Other finance costs reflected, in 2016, the effect of the fall in the GBP exchange rates. This effect was partially covered by financial instruments (See Note 4.5.4).

#### 4.5.4. Change in the fair value of financial instruments

Change in the fair value of financial instruments	In thousands of €		
	Note	31-12-2017	31-12-2016
Use and change in the fair value of financial instruments	4.5.4	-2,924	14,324
<b>Total</b>		<b>-2,924</b>	<b>14,324</b>

**4.5.4.** This item shows the result related to the use of financial instruments. The change in this item can primarily be explained by the effects, in 2016, of the hedging of differences in exchange rates pertaining to GBP (see Note 4.5.3). The evolution of these financial instruments is detailed in Note 6.

#### Note 4.6. Earnings from associates and joint ventures

The earnings from associates and joint ventures amount to €15,294 thousand in 2017 compared to - €4,711 thousand in 2016.

This increase can primarily be explained by the commissioning on 01-01-2017 of the LNG terminal at Dunkirk. In 2017 therefore, Dunkerque LNG makes a positive contribution to the earnings from associates and joint ventures of €18,219 thousand. Part of the costs related to the TAP project under construction cannot be activated, which affects the result of this item, just as in 2016.

## Note 4.7. Income tax expenses

Income tax expense is analysed as follows:

Income tax expenses	In thousands of €			
	Note	31-12-2017	31-12-2016	Change
Current tax	4.7.1	-113,262	-117,613	4,351
Deferred tax	4.7.2	100,268	79,226	21,042
<b>Total</b>	<b>4.7.3</b>	<b>-12,994</b>	<b>-38,387</b>	<b>25,393</b>

The income tax expense came to €12,994 thousand in 2017 compared with €38,387 thousand in 2016.

It is broken down as follows:

4.7.1. Current tax	In thousands of €		
	31-12-2017	31-12-2016	Change
<b>Income taxes on the result of the current period</b>	<b>-114,131</b>	<b>-117,721</b>	<b>3,590</b>
Taxes and withholding taxes due or paid	-113,296	-87,732	-25,564
Excess of payment of taxes and withholding taxes included in assets	2,435	0	2,435
Additional taxes	-3,270	-29,989	26,719
<b>Adjustments to previous years' current taxes</b>	<b>869</b>	<b>108</b>	<b>761</b>
<b>Total</b>	<b>-113,262</b>	<b>-117,613</b>	<b>4,351</b>

Current tax decreased by €4,351 thousand compared with the previous financial year.

The change in this item can primarily be explained by the increase in revenue realised by FluxSwiss, partly compensated by the fall in the revenue realised by Fluxys TENP, which generates a fall in the average effective tax rate for the group.

<b>4.7.2. Deferred tax</b>	In thousands of €		
	<b>31-12-2017</b>	<b>31-12-2016</b>	<b>Change</b>
<b>Relating to origination or reversal of temporary differences</b>	<b>66,751</b>	<b>61,175</b>	<b>5,576</b>
Differences arising from the valuation of property, plant and equipment	62,387	65,828	-3,441
Changes in provisions	779	-1,983	2,762
Other changes	3,585	-2,670	6,255
<b>Relating to tax rate changes or to new taxes</b>	<b>33,517</b>	<b>18,051</b>	<b>15,466</b>
<b>Relating to changes in accounting policies and errors</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Relating to changes in fiscal status of entity or shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>100,268</b>	<b>79,226</b>	<b>21,042</b>

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment and intangible assets.

The other differences are affected in 2017 by the unrealised exchange rate differences recognised in profit/loss in the IFRS consolidated financial statements as well as by the taxable share of the dividends.

Thanks to the reform of corporate tax in Belgium, the nominal tax rate will go from 33.99% in 2017 to 29.58% in 2018 and 2019 and 25% from 2020. This progressive rate decrease has generated a non-recurring revision of deferred taxes accounted for in the past amounting to €31,831 thousand. This revision essentially concerned the deferred taxes accounted for during the price allocation exercises from business combination operations. The balance of the impact of the rate revisions on deferred taxes was recognised in the other parts of the global results (see Note 5.15). In 2016, the favourable effect concerned the revision of tax rates applicable in England and Luxembourg.

<b>4.7.3. Reconciliation of expected income tax rate and effective average income tax rate</b>	In thousands of €		
	<b>31-12-2017</b>	<b>31-12-2016</b>	<b>Change</b>
<b>Income tax as per effective average tax rate – Financial year</b>	<b>-55,339</b>	<b>-54,854</b>	<b>-485</b>
<i>Profit/loss from continuing operations after net financial result</i>	178,103	156,671	21,432
<i>Earnings from associates and joint ventures (-)</i>	-15,294	4,711	-20,005
<b>Earnings before tax</b>	<b>162,809</b>	<b>161,382</b>	<b>1,427</b>
Applicable tax rate	33.99%	33.99 %	
<b>Reconciling items</b>	<b>41,476</b>	<b>16,365</b>	<b>25,111</b>
Income tax rate differences between jurisdictions	14,363	13,341	1,022
Changes in tax rates	33,517	18,051	15,466
Tax-exempt income	0	0	0
Non-deductible expenses	-7,617	-13,434	5,817
Taxable dividend income	955	-2,859	3,814
Deductible notional interest cost	247	1,180	-933
Other	11	86	-75
<b>Income tax as per effective average tax rate – Financial year</b>	<b>-13,863</b>	<b>-38,489</b>	<b>24,626</b>
Earnings before tax	162,809	161,382	1,427
Average effective tax rate	8.51 %	23.85 %	-15.34 %
<b>Taxes on tax-exempt reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to previous years' current taxes</b>	<b>869</b>	<b>102</b>	<b>767</b>
<b>Total income tax expense</b>	<b>-12,994</b>	<b>-38,387</b>	<b>25,393</b>

In 2016, non-deductible expenses included non-recurring components related to provisions for employee benefits as well as unrealised exchange rate differences.

## Note 4.8. Net profit/loss for the period

Net profit/loss for the period	In thousands of €		
	31-12-2017	31-12-2016	Change
Non-controlling interests	44,633	41,356	3,277
Group share	120,476	76,928	43,548
<b>Total profit/loss for the period</b>	<b>165,109</b>	<b>118,284</b>	<b>46,825</b>

Fluxys group's net profit/loss in 2017 comes to €165,109 thousand compared to €118,284 thousand in 2016, an increase of €46,825 thousand.

The corporate tax reform in Belgium generates a significant non-recurring revision of €31,831 thousand in deferred taxes accounted for in the past. The ensuing increase in the consolidated net profit does not, however, have any impact on the distributable profit and the dividend of Fluxys. The regulated net profit for shareholders is not affected by tax rates. The fiscal reform will have a favourable effect on future tariffs however, because the decrease in taxes associated with the rate review will reduce the costs to be covered by the tariffs.

The balance of the revision of deferred taxes linked to revaluation and to employee benefits in Belgium is recognised in the other part of the global results (+€36,399 thousand).

The evolution of the profit/loss can also be explained by the evolution of OLO rates (0.74% in 2017 compared to 0.49% in 2016) which generates an increase in the regulated authorised rate of return in the 'Belgium' segment. The latter additionally benefits the progress of the profit/loss from non-regulated activities. Together, these two items represent an impact of €5.5 million.

In the 'Europe' segment, the progression of the net results can primarily be explained by the sale of interruptible capacity in FluxSwiss, by the first positive contribution by Dunkerque LNG, the terminal having been commissioned on 1 January 2017, and by the reduction in costs linked to debts.

## Note 5. Segment balance sheet

Segment balance sheet at 31-12-2017				In thousands of €
	Fluxys Belgium	Fluxys Europe	Unallocated	Total
Property, plant and equipment	2,250,659	1,820,481	0	4,071,140
Intangible assets	226,563	367,313	0	593,876
Goodwill	1,924	0	0	1,924
Investments in associates and joint ventures	16	551,335	0	551,351
Other financial assets	81,179	16,832	0	98,011
Inventories	27,856	2,035	0	29,891
Net trade receivables	106,030	45,177	0	151,207
Other assets			997,206	997,206
				<b>6,494,606</b>
Interest-bearing liabilities	2,219,830	1,141,309		3,361,139
Other financial liabilities	0	2,006		2,006
Other liabilities			800,417	800,417
				<b>4,163,562</b>
Equity			2,331,044	2,331,044
				<b>6,494,606</b>

**Segment balance sheet at 31-12-2016**

In thousands of €

	<b>Fluxys Belgium</b>	<b>Fluxys Europe</b>	<b>Unallocated</b>	<b>Total</b>
Property, plant and equipment	2,321,123	1,994,477	0	4,315,600
Intangible assets	242,332	497,008	0	739,340
Goodwill	1,924	0	0	1,924
Investments in associates and joint ventures	16	500,172	0	500,188
Other financial assets	57,022	11,532	0	68,554
Inventories	21,500	2,586	0	24,086
Net trade receivables	85,585	47,495	0	133,080
Other assets			802,222	802,222
				<b>6,584,994</b>
Interest-bearing liabilities	1,844,497	1,332,691		3,177,188
Other financial liabilities	0	28,230		28,230
Other liabilities			975,675	975,675
				<b>4,181,093</b>
Equity			2,403,901	2,403,901
				<b>6,584,994</b>



## Note 5.1. Property, plant and equipment

Movements in property, plant and equipment				
	Land	Buildings	Gas transmission networks	Gas storage
<b>Gross book value</b>				
<b>As at 31-12-2015</b>	<b>53,119</b>	<b>168,609</b>	<b>6,397,112</b>	<b>377,649</b>
Investments	131	1,836	39,767	413
Subsidies	0	0	0	0
Disposals and retirements	-33	-5	-10,284	-3
Internal transfers	0	4,022	24,962	502
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	27	0	-182,214	0
<b>As at 31-12-2016</b>	<b>53,244</b>	<b>174,462</b>	<b>6,269,343</b>	<b>378,561</b>
Investments	442	2,985	34,456	1,648
Subsidies	0	0	0	0
Disposals and retirements	-50	-38	-4,002	0
Internal transfers	0	96	1,595	852
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	-485	0	-155,640	0
<b>As at 31-12-2017</b>	<b>53,151</b>	<b>177,505</b>	<b>6,145,752</b>	<b>381,061</b>

In thousands of €

LNG terminal	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>1,045,001</b>	<b>46,100</b>	<b>54,232</b>	<b>158,000</b>	<b>8,299,822</b>
22,850	61	5,183	82,434	152,675
0	0	0	0	0
-7	-58	-832	-379	-11,601
77,949	0	0	-107,435	0
0	0	0	0	0
0	0	-266	24	-182,429
<b>1,145,793</b>	<b>46,103</b>	<b>58,317</b>	<b>132,644</b>	<b>8,258,467</b>
4,025	57	8,146	92,341	144,100
-1,774	0	0	-342	-2,116
-785	-230	-974	-124	-6,203
-2,579	0	0	36	0
0	0	0	0	0
0	47	-24	0	-156,102
<b>1,144,680</b>	<b>45,977</b>	<b>65,465</b>	<b>224,555</b>	<b>8,238,146</b>

## Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks	Gas storage
<b>Depreciation and impairment losses</b>				
<b>As at 31-12-2015</b>	<b>0</b>	<b>-89,546</b>	<b>-2,644,667</b>	<b>-198,264</b>
Depreciation	0	-3,440	-250,324	-10,926
Disposals and retirements	0	0	7,310	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	91,645	0
<b>As at 31-12-2016</b>	<b>0</b>	<b>-92,986</b>	<b>-2,796,036</b>	<b>-209,190</b>
Depreciation	0	-3,460	-250,036	-10,768
Disposals and retirements	0	2	2,998	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	71,651	0
<b>As at 31-12-2017</b>	<b>0</b>	<b>-96,444</b>	<b>-2,971,423</b>	<b>-219,958</b>
<b>Net book values as at 31-12-2017</b>	<b>53,151</b>	<b>81,061</b>	<b>3,174,329</b>	<b>161,103</b>
<b>Net book values as at 31-12-2016</b>	<b>53,244</b>	<b>81,476</b>	<b>3,473,307</b>	<b>169,371</b>

In thousands of €

LNG terminal	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>-733,497</b>	<b>-43,419</b>	<b>-39,050</b>	<b>0</b>	<b>-3,748,443</b>
-24,374	-94	-5,214	0	-294,372
0	0	888	0	8,198
0	0	0	0	0
0	0	0	0	0
0	0	105	0	91,750
<b>-757,871</b>	<b>-43,513</b>	<b>-43,271</b>	<b>0</b>	<b>-3,942,867</b>
-28,862	-145	-6,504	0	-299,775
1	0	922	0	3,923
0	0	0	0	0
0	0	0	0	0
0	12	50	0	71,713
<b>-786,732</b>	<b>-43,646</b>	<b>-48,803</b>	<b>0</b>	<b>-4,167,006</b>
<b>357,948</b>	<b>2,331</b>	<b>16,662</b>	<b>224,555</b>	<b>4,071,140</b>
<b>387,922</b>	<b>2,590</b>	<b>15,046</b>	<b>132,644</b>	<b>4,315,600</b>

## Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks	Gas storage
<b>Net book values as at 31-12-2017 of which:</b>	<b>53,151</b>	<b>81,061</b>	<b>3,174,329</b>	<b>161,103</b>
At cost	53,151	81,061	3,174,329	161,103
At revaluation	0	0	0	0
<b>Net book values as at 31-12-2017 of assets held under finance</b>	<b>0</b>	<b>0</b>	<b>53,109<sup>6</sup></b>	<b>0</b>
<b>Supplementary information</b>				
Net book value of assets temporarily retired from active use	110	0	0	0

Property, plant and equipment mainly comprises the group's transmission, storage (Loenhout) and LNG terminalling (Zeebrugge) facilities.

In 2017, the Fluxys Group made investments for an amount of €144.1 million. The primary investments made concern:

- Transmission facilities (€77.6 million, largely relating to the Reverse Flow and EUGAL projects, and
- the LNG terminalling facilities (€64.8 million, largely relating to the construction of the fifth tank at the Zeebrugge LNG terminal).

In relation to investments that are currently in progress or planned, the group Fluxys Belgium has commitments under Engineering, Procurement and Construction contracts for an amount of €53.7 million as at 31-12-2017.

The investments expected by the group for the EUGAL project come to €183.0 million.

The costs of loans activated on investments under construction amounted to €3.5 million in 2017 compared with €1.7 million in 2016. The interest rates used are based on the OLO rate in accordance with the loans concerned.

<sup>6</sup> Immobilisations détenues en location-financement auprès de FL Zeebrugge NV (voir Note 3.4).

In thousands of €				
LNG terminal	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>357,948</b>	<b>2,331</b>	<b>16,662</b>	<b>224,555</b>	<b>4,071,140</b>
357,948	2,331	16,662	224,555	4,071,140
0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,109</b>
0	0	0	0	110

The depreciation charge for the period amounts to €299.8 million and reflects the rate at which the group expects to consume the economic benefits of the property, plant and equipment. The assets that are used within the regulated market are depreciated over their useful life, as stated in point 8 of the accounting principles (Note 2), without taking into account a residual value, given the specificity of the sector's activities. The assets of Interconnector (UK) were subjected to a prospective review of the depreciation method in 2016 to align them with expected use in order to better reflect the consumption of the economic benefits represented by these assets (see Note 4.3.5.1). The depreciation recognised in 2017 is in line with this revised plan.

Other property, plant and equipment is depreciated over its useful life as estimated by the group, taking into account actual and potential contracts, and considering reasonable market assumptions, based on the principle of matching of revenues and costs. Given the specific nature of the activities concerned, the residual value, if any, of the facilities in question has been ignored.

At the balance sheet date, the group has identified no indication or event which would lead any item of property, plant and equipment to be considered impaired (see Note 4.3.5.1).

## Note 5.2. Intangible assets

Movements in the book value of intangible assets				In thousands of €
	Software	'Sole operator of the network' assets	'Client portfolios' assets	Total
<b>Gross book value</b>				
<b>As at 31-12-2015</b>	<b>37,407</b>	<b>244,600</b>	<b>863,506</b>	<b>1,145,513</b>
Investments	3,130	0	1,485	4,615
Disposals and retirements	-7,742	0	0	-7,742
Translation adjustments	0	0	-71,159	-71,159
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
<b>As at 31-12-2016</b>	<b>32,795</b>	<b>244,600</b>	<b>793,832</b>	<b>1,071,227</b>
Investments	3,515	0	0	3,515
Disposals and retirements	-5,205	0	0	-5,205
Translation adjustments	0	0	-57,203	-57,203
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
<b>As at 31-12-2017</b>	<b>31,105</b>	<b>244,600</b>	<b>736,629</b>	<b>1,012,334</b>

**Movements in the book value of intangible assets**

In thousands of €

	Software	'Sole operator of the network' assets	'Client portfolios' assets	Total
<b>Depreciation and impairment losses</b>				
<b>As at 31-12-2015</b>	<b>-27,919</b>	<b>-45,749</b>	<b>-178,360</b>	<b>-252,028</b>
Depreciation and impairment losses	-5,507	-8,765	-115,791	-130,063
Disposals and retirements	7,728	0	0	7,728
Translation adjustments	0	0	42,476	42,476
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
<b>As at 31-12-2016</b>	<b>-25,698</b>	<b>-54,514</b>	<b>-251,675</b>	<b>-331,887</b>
Depreciation and impairment losses	-4,006	-8,765	-106,821	-119,592
Disposals and retirements	5,205	0	0	5,205
Translation adjustments	0	0	27,816	27,816
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
<b>As at 31-12-2017</b>	<b>-24,499</b>	<b>-63,279</b>	<b>-330,680</b>	<b>-418,458</b>



Movements in the book value of intangible assets				In thousands of €
	Software	‘Sole operator of the network’ assets	‘Client portfolios’ assets	Total
<b>Net book value as at 31-12-2017</b>	<b>6,606</b>	<b>181,321</b>	<b>405,949</b>	<b>593,876</b>
<b>Net book value as at 31-12-2016</b>	<b>7,097</b>	<b>190,086</b>	<b>542,157</b>	<b>739,340</b>

Intangible assets comprise the net book value of software and of emission rights, the value to the Fluxys Group of the nomination of Fluxys Belgium and Fluxys LNG as sole network operators as well as the value of client portfolios acquired.

The software included in intangible assets is software developed or purchased by the group which bears characteristics of an investment. This software is depreciated on a straight-line basis. Major investments during the financial year concern software developed in relation to gas flow and asset management and related administrative tools.

Business combinations in Fluxys have been realised using the acquisition method. As part of the fair value accounting of the assets acquired and liabilities assumed, the group has accounted for intangible assets which represent the value for the group of the nomination of Fluxys Belgium as the sole operator of the natural gas transmission network and storage facilities and that of Fluxys LNG as sole operator of the LNG facilities. Fluxys has also accounted for the value of client portfolios of FluxSwiss, Fluxys TENP, Interconnector (UK), GMSL and Hub activities. The main depreciation periods used for these assets are described in the accounting methods (see Note 2.7). It should be noted that the intangible asset ‘HUB in Belgium’ will be fully depreciated in 2023, Fluxswiss asset in 2034 and the ‘Interconnector (UK)’ asset in 2018.

At the balance sheet date, the group has identified no indication or event which would lead any item of intangible assets to be considered impaired.

## Note 5.3. Goodwill

Goodwill	In thousands of €	
	31-12-2017	31-12-2016
Goodwill FLUXYS BELGIUM SA	1,924	1,924
<b>Total</b>	<b>1,924</b>	<b>1,924</b>

The goodwill recorded in the group's financial statements arises from the business combination transaction realised in September 2010, the date on which Publigas has contributed its investment in Fluxys Belgium SA to Fluxys.

The amount of €1,924 thousand corresponds to the excess of the cost of the business combination with respect to the net fair value of the assets, liabilities and any potential liabilities that could be identified as at 10 September 2010. It is allocated to the cash-generating unit 'regulated activities in Belgium' for the impairment test.

## Note 5.4. Investments in associates and joint ventures

As at 31 December 2017, the Fluxys Group has the following investments in associates and joint ventures:

- TENP GMBH (50%),
- Dunkerque LNG (25%),
- Gaz-Opale (61.75%),
- GasBridge 2 (50%),
- TAP (19%),
- Swedegas Holding (50%),
- Balansys (50%),
- LNG Link Investment (25%),
- Mahon Shipping (25%)
- E-Loops (51%).

Movements in equity accounted investees	In thousands of €	
	31-12-2017	31-12-2016
<b>Equity accounted investees – opening balance</b>	<b>500,188</b>	<b>439,717</b>
Investments and transfers	270	0
Share in the total comprehensive result	17,143	-9,621
Dividends paid	-148	-9,444
Changes in the consolidation scope	0	0
Translation adjustments	-2,435	-3,115
Capital increases	60,614	82,651
Capital reductions	-24,281	0
<b>Equity accounted investees – closing balance</b>	<b>551,351</b>	<b>500,188</b>

The investments in 2017 corresponded to the stake acquired in E-Loops.

The earnings from investments in associates were positively affected in 2017 by the contribution of Dunkerque LNG, the terminal having been commissioned as of 01-01-2017.

The company GasBridge 2 did not pay out any dividends in 2017, which explains the reduction in dividends paid out by associates.

In 2017, capital increases corresponded to the capital contributions to TAP. The capital reductions come from Dunkirk LNG and GasBridge2.

## Note 5.5. Other financial assets

Other financial assets	In thousands of €		
	Notes	31-12-2017	31-12-2016
Shares at cost	5.5.1	2,777	2,818
Investment securities at fair value through profit or loss	5.5.2/6	81,092	56,934
Other financial assets at fair value	5.5.3/6	9,801	2,425
Other financial assets at cost		253	233
<b>Total</b>		<b>93,923</b>	<b>62,410</b>

**5.5.1.** The shares in these companies, which have activities that are of interest to the Fluxys Group, are held with the intention of keeping them for the long term without being able to exercise significant control or influence. These shares are not listed on an active market. They are valued at the cost of acquisition.

**5.5.2.** Investment securities at fair value through profit or loss relate to cash investments in bonds or commercial paper with a maturity longer than one year. They are mainly from Flux Re of which the cash is destined to cover the risk of the entity in the scope of its reinsurance business. The maturity of these investments is between 2019 and 2027.

**5.5.3.** As at 31-12-2017, the other financial assets at fair value primarily concern financial instruments entered into with a view to covering the risk incurred by the group with respect to CHF and SEK rates. As at 31-12-2016, these assets primarily concerned financial instruments entered into with a view to covering the risk incurred by the group with respect to GBP rates (see Note 6).

## Note 5.6. Loans, receivables and other non-current assets

Non-current loans and receivables		In thousands of €	
	Notes	31-12-2017	31-12-2016
Non-current loan	5.6.1	110,673	119,953
Calls for funds and others	5.6.2	357,591	212,424
<b>Total</b>		<b>468,264</b>	<b>332,377</b>

**5.6.1.** Interconnector (UK) subscribed to bonds of F L Zeebrugge, with a final maturity in November 2025. These euro bonds are fixed rate.

**5.6.2.** TAP calls for funds to shareholders as part of its construction project. The calls for funds by Dunkerque LNG are reducing, the terminal having been commissioned as of 01.01.2017.

Maturity of non-current loans and receivables at 31-12-2017			In thousands of €
	Between one and five years	More than five years	Total
Non-current loans	52,857	57,816	110,673
Calls for funds and others	357,591	0	357,591
<b>Total</b>	<b>410,448</b>	<b>57,816</b>	<b>468,264</b>

Maturity of non-current loans and receivables at 31-12-2016			In thousands of €
	Between one and five years	More than five years	Total
Non-current loans	39,500	80,453	119,953
Calls for funds and others	212,424	0	212,424
<b>Total</b>	<b>251,924</b>	<b>80,453</b>	<b>332,377</b>

Other non-current assets		In thousands of €	
	Notes	31-12-2017	31-12-2016
Plan asset surpluses 'IAS 19 Employee benefits'	5.14	11,607	20,200
Prepaid insurance expenses	5.6.3	4,222	5,906
<b>Total</b>		<b>15,829</b>	<b>26,106</b>

**5.6.3.** Fluxys LNG is insured with Credendo against certain risks incurred as part of the transshipment project. This insurance is in effect until 2021.

The part of this premium that has been paid and is not past due is included under this item for the part that is due in more than one year whilst the part that is due within the year is included in the item 'Other current assets' (see Note 5.10.1).

## Note 5.7. Inventories

Book value of inventories	In thousands of €	
	31-12-2017	31-12-2016
<b>Supplies</b>	<b>16,628</b>	<b>12,932</b>
Gross book value	22,997	20,124
Impairment losses	-6,369	-7,192
<b>Goods held for resale</b>	<b>13,113</b>	<b>11,050</b>
Gross book value	13,110	11,055
Impairment losses	3	-5
<b>Work in progress</b>	<b>150</b>	<b>104</b>
Gross book value	150	104
Impairment losses	0	0
<b>Total</b>	<b>29,891</b>	<b>24,086</b>

Inventories of materials related to the transmission network are at their normal operating levels. The change in this item can be explained by the timing of purchases compared with their use.

Impact of movements on net profit/loss	In thousands of €	
	31-12-2017	31-12-2016
Inventories – purchased or used	4,974	-7,159
Impairment losses	831	2,009
<b>Total</b>	<b>5,805</b>	<b>-5,150</b>

## Note 5.8. Trade and other receivables

Trade and other receivables		In thousands of €	
	Notes	31-12-2017	31-12-2016
Gross trade receivables		153,970	135,928
Impairment losses		-2,763	-2,848
<b>Net trade receivables</b>	<b>5.8.1</b>	<b>151,207</b>	<b>133,080</b>
Other receivables		58,866	34,666
<b>Total</b>		<b>210,073</b>	<b>167,746</b>

**5.8.1.** The Fluxys Group reduces its exposure to credit risk, both in terms of default and concentration of risk, by requiring short payment terms from its customers, a strict policy for the follow-up of trade receivables, and a systematic evaluation of its counterparties' financial position (see Note 6).

Trade receivables can be broken down as follows according to their ageing:

Net trade receivables according to ageing		In thousands of €	
		31-12-2017	31-12-2016
Receivables not past due		150,305	130,204
Receivables < 3 months		680	2,800
Receivables 3 - 6 months		0	0
Receivables > 6 months		0	9
Receivables in litigation or doubtful		222	67
<b>Total</b>		<b>151,207</b>	<b>133,080</b>

Disputed or doubtful receivables mainly concern grid users. Those which are deemed unrecoverable have been subject to impairment losses of 100%.



## Note 5.9. Short-term investments, cash and cash equivalents

Short-term investments are investments with a maturity of more than three months and maximum one year in bonds, commercial paper and bank deposits.

Cash and cash equivalents are mainly investments in commercial paper that mature within a maximum of three months after the date of acquisition, term deposits at credit institutions, current account bank balances and cash in hand.

Short-term investments, cash and cash equivalents	In thousands of €	
	31-12-2017	31-12-2016
<b>Short-term investments</b>	<b>162,696</b>	<b>105,348</b>
<b>Cash and cash equivalents</b>	<b>265,668</b>	<b>280,084</b>
Cash equivalents	0	46,437
Short-term deposits	73,665	49,110
Bank balances	191,969	184,511
Cash in hand	34	26
<b>Total</b>	<b>428,364</b>	<b>385,432</b>

## Note 5.10. Other current assets

Other current assets		In thousands of €	
	Notes	31-12-2017	31-12-2016
Accrued income		2,515	2,390
Prepaid expenses		17,561	17,417
Other current assets	5.10.1	2,956	1,621
<b>Total</b>		<b>23,032</b>	<b>21,428</b>

Other current assets mainly comprise prepaid expenses amounting to €17,561 thousand (insurance, rent, etc.) as well as various items of accrued income to be cashed.

**5.10.1.** Other current assets for their part include the short-term share of the plan asset surpluses compared with the actuarial debt relating to the group's pension liabilities (see Notes 5.6.3 and 5.14).

## Note 5.11. Equity

Publigas established the public limited company Fluxys on 12 July 2010, into which it transferred its stake (89.97%) in Fluxys Belgium SA on 10 September 2010.

On 30 March 2011, Caisse de dépôt et placement du Québec acquired a 10% stake in Fluxys SA, by means of a €150 million capital increase.

On 28 November 2011, Fluxys carried out a second capital increase of €300 million.

Fluxys has proceeded with other capital increases for a total amount of €148.8 million, of which €34.7 million uncalled. As a result of these capital increases the Société Fédérale de Participations et d'Investissement (SFPI) has entered the capital of Fluxys as well as the employees and management of the group.

As at 31 December 2017, Fluxys' shareholder structure was as follows:

- 77.62%: Publigas
- 19.93%: Caisse de dépôt et placement du Québec
- 2.13%: SFPI
- 0.32%: Employees and management

These capital increases fall within the group's objective to maintain a solvency ratio of at least a third of equity.

Non-controlling interests amount to €525,808 thousand, representing the 10.00% stake held by minority shareholders in Fluxys Belgium SA and its subsidiaries (€84,896 thousand); the 49.35% in FluxSwiss (€232,336 thousand), as well as the 49.25% in Interconnector (UK) (€200,925 thousand).

## Note on parent entity shareholding

	Ordinary shares	Preferential shares	Total
<b>I. Movements in number of shares</b>			
1. Number of shares, opening balance	86,803,174	0	<b>86,803,174</b>
2. Number of shares issued	13,798	0	<b>13,798</b>
3. Number of ordinary shares cancelled or reduced (-)	0	0	<b>0</b>
4. Number of preference shares cancelled or reduced (-)	0	0	<b>0</b>
5. Other increase (/ decrease)	0	0	<b>0</b>
6. Number of shares, closing balance	86,816,972	0	<b>86,816,972</b>
<b>II. Other information</b>			
1. Face value of shares	No face value mentioned		
2. Number of shares owned by the company	0	0	<b>0</b>
3. Interim dividends during the financial year	0	0	<b>0</b>

## Note 5.12. Interest-bearing liabilities

Non-current interest-bearing liabilities		In thousands of €	
	Notes	31-12-2017	31-12-2016
Finance leases	5.12.1	111,812	123,750
Bonds	5.12.2	942,590	944,233
Other borrowings	5.12.3	1,104,426	972,901
Other financing	5.12.4	157,538	102,953
Other liabilities	5.12.5	352,055	399,675
Joint arrangements	5.12.6	55,461	60,409
<b>Total</b>		<b>2,723,882</b>	<b>2,603,921</b>
Of which debts guaranteed by the public authorities or by actual sureties		0	0

Current interest-bearing liabilities		In thousands of €	
	Notes	31-12-2017	31-12-2016
Finance leases	5.12.1	12,908	7,963
Bonds	5.12.2	362,336	285,497
Other borrowings	5.12.3	183,734	241,246
Other financing	5.12.4	20,361	4,423
Other liabilities	5.12.5	57,918	34,138
<b>Total</b>		<b>637,257</b>	<b>573,267</b>
Of which debts guaranteed by the public authorities or by actual sureties		0	0

**5.12.1.** Interconnector (UK) entered into a fixed-rate financial lease which matures in 2026. This contract concerns the Zeebrugge compression facilities.

**5.12.2.** In November 2014 and October 2017, Fluxys Belgium issued bonds for a total of €700,000 thousand. These bonds offer a gross annual coupon of 1.75% and 3.25% respectively. They will mature between 2027 and 2034. The issue in 2012 for €350,000 thousand matures in May 2018.

Fluxys<sup>7</sup> completed bond issues in the form of European Private Placements over the course of the months of December 2015 and January 2016 for a total of €250 million. An amount of €150 million was issued for a duration of 30 years and the balance was issued for a duration of 20 years. These bonds offer a gross annual coupon of 2.75% and 3.08% respectively.

In June 2017, Fluxys repaid a bond issued for a face value of €300 million, of which €25 million were subscribed to intragroup.

These transactions enabled Fluxys to diversify the duration of its financing under advantageous conditions.

**5.12.3.** Other borrowings included as at 31-12-2017:

- A 25-year loan of €326.0 million at a fixed rate contracted with the EIB in December 2008 to finance investments in developing the gas transmission network.
- Loans taken out by FluxSwiss and Transitgas the balance of which was €343.1 million as at 31-12-2017. Cap instruments were acquired by the group to limit the risk incurred with variable interest rates for these loans.
- Loans taken out by TENP KG the balance of which was €131.8 million as at 31-12-2017.
- A 5-year loan taken out by Interconnector (UK), the balance of which is €39.4 million as at 31-12-2017. Interest rate swaps were entered into to convert the variable interest rate of this loan into a fixed interest rate.
- Fixed-rate loans taken out by Fluxys<sup>8</sup> for €200.0 million for a duration of between 3 and 5 years.
- A fixed-rate loan, based on the Euribor, taken out by Fluxys Finance of €150.0 million for a duration of 4 years.
- Fixed-rate loans granted by the shareholders Publigas and SFPI for €45.0 million with a maturity between 2020 and 2032.
- Short term loans and pro rata interest for the balance.

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<sup>7</sup>In the first half of 2017, Fluxys SA absorbed Fluxys Finance with retroactive effect in terms of tax and accounting to 1 January 2017.

<sup>8</sup>In the first half of 2017, Fluxys SA absorbed Fluxys Finance with retroactive effect in terms of tax and accounting to 1 January 2017.

**5.12.4.** Other financing corresponds to the amount at the group's disposal firstly to finance investments, notably in the second jetty at Zeebrugge and secondly the cost associated with the conversion of part of the gas transmission network. Part of these amounts bears interest at a 10-year rate and the remainder at the average 1-year Euribor rate.

**5.12.5.** Regulatory liabilities included in 'other liabilities' represent the positive difference between the invoiced regulated tariffs and the acquired regulated tariffs. The share listed as non-current liabilities corresponds to the regulatory liabilities to be used in more than one year's time, while the share to be used within the year is listed as current liabilities. These amounts bear interest.

**5.12.6.** These amounts correspond to contributions into the joint operations Transitgas and TENP KG by the joint operators. They arise from the fact that the integration percentages of these joint operations are not based on participations in these companies but are based on the rights attached to the assets and obligations for the liabilities incurred by the group in accordance with the capacity reserved in the installations.

Changes in liabilities based on financing activities				In thousands of €	
	31.12.2016	Cash flow	Other movements		31.12.2017
			Reclassification between non- current and current	Variation in accrued interests	Total
<b>Non-current interest-bearing liabilities</b>	<b>2,603,921</b>	<b>676,293</b>	<b>-556,332</b>	<b>0</b>	<b>2,723,882</b>
Finance leases	123,750	0	-11,938	0	111,812
Bonds	944,233	348,307	-349,950	0	942,590
Other borrowings	972,901	244,703	-113,178	0	1,104,426
Other financing	102,953	74,533	-19,948	0	157,538
Other liabilities	399,675	13,698	-61,318	0	352,055
Joint arrangements	60,409	-4,948	0	0	55,461
<b>Current interest-bearing liabilities</b>	<b>573,267</b>	<b>-493,665</b>	<b>556,332</b>	<b>1,323</b>	<b>637,257</b>
Finance leases	7,963	-6,993	11,938	0	12,908
Bonds	285,497	-274,664	349,950	1,553	362,336
Other borrowings	241,246	-170,460	113,178	-230	183,734
Other financing	4,423	-4,010	19,948	0	20,361
Other liabilities	34,138	-37,538	61,318	0	57,918
<b>Total</b>	<b>3,177,188</b>	<b>182,628</b>	<b>0</b>	<b>1,323</b>	<b>3,361,139</b>

Cash flows for interest-bearing liabilities are included in points IV.1.6, 2.3 and 2.5 of the consolidated statement of cash flows.

The variation in interest to be paid corresponds to the difference between interest paid (see point IV.3.1 of the consolidated statement of cash flows) and interest charges on debts (see Note 4.5.1.).



**Maturity of interest-bearing liabilities at 31-12-2017 non-discounted**

In thousands of €

	Up to one year	Between one and five years	More than five years	Total
Finance leases	18,884	71,954	63,970	154,808
Bonds	391,801	345,376	922,916	1,660,093
Other borrowings	218,068	854,163	456,432	1,528,663
Other financing	21,001	78,638	85,377	185,016
Other liabilities	57,918	178,251	173,804	409,973
Joint arrangements	0	55,461	0	55,461
<b>Total</b>	<b>707,672</b>	<b>1,583,843</b>	<b>1,702,499</b>	<b>3,994,014</b>

**Supplementary information**
**Finance leases:**

Present value of minimum payments at market rate	20,094	75,277	66,924	162,295
Total minimum leases payments (A)	18,884	71,954	63,970	154,808
Interest (B)	5,976	18,261	5,851	30,088
Total finance leases (A-B)	12,908	53,693	58,119	124,720

**Maturity of interest-bearing liabilities at 31-12-2016 non-discounted**

In thousands of €

	Up to one year	One to five years	More than five years	Total
Finance leases	14,326	70,702	83,000	168,028
Bonds	324,804	450,830	848,569	1,624,203
Other borrowings	278,555	687,418	525,987	1,491,960
Other financing	4,866	26,279	83,791	114,936
Other liabilities	34,138	212,792	186,883	433,813
Joint arrangements	0	60,409	0	60,409
<b>Total</b>	<b>656,689</b>	<b>1,508,430</b>	<b>1,728,230</b>	<b>3,893,349</b>

**Supplementary information**
**Finance leases:**

Present value of minimum payments at market rate	16,194	77,974	90,737	184,905
Total minimum leases payments (A)	14,326	70,702	83,000	168,028
Interest (B)	6,363	20,538	9,414	36,315
Total finance leases (A-B)	7,963	50,164	73,586	131,713

## Note 5.13. Provisions

### 5.13.1 Provisions for employee benefits

Provisions for employee benefits	In thousands of €
<b>Provisions at 31-12-2016</b>	<b>71.423</b>
Additions	11.545
Use	-11.865
Release	0
Unwinding of the discount	2.916
Actuarial gains/losses recognised in the profit/loss (seniority bonuses)	-1.469
Expected return on plan assets	-2.198
Actuarial gains/losses recognised in equity	3.488
Reclassification of the asset	-7.258
Foreign exchange effect	-81
<b>Provisions at 31-12-2017, of which:</b>	<b>66.501</b>
Non-current provisions	62.517
Current provisions	3.984

Provisions for employee benefits not pre-funded (see Note 5.14) are down, mainly following the effect of assumptions on turnover and on migration.

The defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated liabilities of the group at 31-12-2017. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' (see Note 5.6) and 'Other current assets' (see Note 5.10.1). Based on IFRIC 14, the group capped recognised assets at €14,563 thousand pending any changes to the current pension fund financing policy. However, the group's objective is to ensure that the surpluses are fully recovered through a reduction in future contributions.

### 5.13.2. Other provisions

Provisions for:	In thousands of €		
	Litigation and claims	Environment and site restoration	Total other provisions
<b>Provisions at 31-12-2016</b>	<b>5,640</b>	<b>20,080</b>	<b>25,720</b>
Additions	43	1,549	1,592
Use	0	-4,055	-4,055
Release	-2,693	-924	-3,617
Unwinding of the discount	0	665	665
Foreign exchange effect	-124	-1,207	-1,331
Changes in the consolidation scope	0		0
Other changes	0		0
<b>Provisions at 31-12-2017, of which:</b>	<b>2,866</b>	<b>16,108</b>	<b>18,974</b>
Non-current provisions	2,866	15,783	18,649
Current provisions	0	325	325

The files relating to certain litigation and claims relating to Transitgas were closed during the period. Provisions relating thereto have been recovered.

The provisions for site restoration include, in 2017, a use of funds to cover the costs associated with the restoration of a site that is sold. The balance of the provision concerned was then recognised in the profit/loss for the period.

### 5.13.3. Movements in the income statement and maturity of provisions

Movements in the income statement and maturity of provisions are distributed as follows:

Impact		In thousands of €		
	Additions	Use and reversals	Total	
Profit (loss) from continuing operations	13,137	-19,537		-6,400
Financial profit (loss)	2,112	-2,198		-86
<b>Total</b>	<b>15,249</b>	<b>-21,735</b>		<b>-6,486</b>

Maturity of provisions at 31-12-2017					In thousands of €
	Up to one year	Between one and five years	More than five years		Total
Litigation and claims	0	403	2,463		2,866
Environment and site restoration	325	1,484	14,299		16,108
<b>Subtotal</b>	<b>325</b>	<b>1,887</b>	<b>16,762</b>		<b>18,974</b>
Employee benefits	3,984	19,615	42,902		66,501
<b>Total</b>	<b>4,309</b>	<b>21,502</b>	<b>59,664</b>		<b>85,475</b>

Maturity of provisions at 31-12-2016					In thousands of €
	Up to one year	Between one and five years	More than five years		Total
Litigation and claims	0	3,203	2,437		5,640
Environment and site restoration	6,841	0	13,239		20,080
<b>Subtotal</b>	<b>6,841</b>	<b>3,203</b>	<b>15,676</b>		<b>25,720</b>
Employee benefits	4,612	22,793	44,018		71,423
<b>Total</b>	<b>11,453</b>	<b>25,996</b>	<b>59,694</b>		<b>97,143</b>

### Discount rate

Long-term provisions are discounted systematically based on interest rates that have changed as follows, according to time frame:

Discount rate	31-12-2017	31-12-2016
Between 1 and 5 years	0,02 %	0,13 %
Between 6 and 9 years	0,86 %	0,89 %
Between 10 and 12 years	0,90 %	1,03 %
Between 13 and 19 years	1,73 %	1,55 %
Over 19 years	1,81 %	1,55 %

### Provisions for litigation and claims

These provisions have been established to cover potential litigation payments arising for instance from the construction of the Zeebrugge LNG terminal (1983), and Transitgas.

The estimation for these provisions are based on the value of claims filed or on the estimated amount of risk incurred.

### Provisions for the environment and site restoration

These provisions essentially cover the costs of decommissioning, safety, clean-up and restoration of sites subject to closure.

In Belgium, these provisions come under the regional environmental legislative framework and the Gas Act. The obligations covered by these provisions require action plans and numerous studies in cooperation with the various public authorities and the institutions established for this purpose.

## **Note 5.14. Provisions for employee benefits**

### **Description of the principal retirement schemes and related benefits**

In Belgium collective labour agreements regulate the rights of employees in the electricity and gas industries.

### **Defined benefit pension plans**

These agreements cover 'non exempt population' recruited before 1 June 2002 and management personnel recruited before 1 May 1999 allowing affiliates to benefit from a capital calculated based on a formula that takes account of their final annual salary and the number of years of service when they leave or retire. These retirement schemes are referred to as defined benefit pension plans.

Obligations under these defined contribution pension plans are funded through a number of pension funds for the electricity and gas industries and through insurance companies.

Employees and employers contribute to these pension plans. The employer's contribution is determined annually on the basis of an actuarial report. This is to ensure that the minimum legal funding requirements have been met and that the long-term funding of the benefits is assured.

### **Description of the main actuarial risks**

The group is exposed, in connection with its defined benefit pension plans, to risks related to actuarial assumptions concerning investments, interest rates, life expectancy and salary development.

The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds.

Each year, the discount rate used to calculate obligations for financing pension liabilities and minimum financing requirements is compared with the expected return on plan assets. The latter is obtained from the risk-free rate observed on the financial markets at the balance sheet date, the risk premiums for each category of assets in the portfolio and their corresponding volatility. If the expected return is lower than the discount rate, the latter is reduced.

The assumptions concerning salary increases, inflation, personnel movements and expected average retirement age are defined based on historic entity statistics. The mortality tables used as those published by the IABE (Institute of Actuaries in Belgium).

The defined benefit pension plans have surplus plan assets of €29,563 thousand compared with the actuarial liability on estimated liabilities of the group as at 31-12-2017. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' and 'Other current assets'. Based on IFRIC 14, the group capped recognised assets at €14,563 thousand taking into account the current pension fund financing policy. However, the group's objective is to ensure that the surpluses are fully recovered through a reduction in future contributions.

#### **Defined contribution pension plans with guaranteed minimum return**

In Belgium, 'non exempt population' recruited after 1 June 2002 and management staff recruited after 1 May 1999 as well as the members of the management benefit from defined contribution pension plans. Other companies in the group also grant this type of benefit to certain categories of staff.

The pension plans are financed by contributions from employees and employers, the latter corresponding to a multiple of the contributions from employees. In Belgium, obligations under these defined contribution pension plans are funded through a number of pension funds for the electricity and gas industries and through insurance companies.



The assets of the pension funds are allocated among the various categories of the following risks:

- Low risk: bonds in the euro zone and/or high-quality bonds.
- Medium risk: risk diversification between bonds, convertible bonds, real estate and equity instruments.
- High risk: equity instruments, real estate, etc.
- Dynamic Asset Allocation: rapid adjustment of the portfolio structure in case specific events occur in order to limit losses in periods of stress.

Belgian law requires that the employer guarantees a minimum return for defined contribution, which varies based on the market rates.

The minimum returns guaranteed by the employer are the following:

- For contributions paid since 01-01-2016, the minimum return is variable based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. Given the current rates, this minimum return guaranteed has been initially set at 1.75%.
- For contributions paid up until 31-12-2015, the minimum return of 3.25% for employer contributions and 3.75% for employee contributions applies up to that date. Since 01-01-2016, the minimum return is calculated as mentioned in the previous paragraph.

The accounting method used by the group to value these 'defined contribution pension plans, with a guaranteed minimum return', is identical to the method used for 'defined benefit plans' (see Note 2.16).

### **Description of the main risks**

Defined contribution plans expose the employer to the risk of a minimum return on pension fund assets that do not offer a sufficient guaranteed return.

### **Other long-term employee benefits**

Fluxys Group also has other pension benefits, early pension schemes, other post-employment benefits such as reimbursement of medical expenses and tariff reductions, as well as other long-term benefits (seniority bonuses). Not all of these benefits are funded.

## Financial status of the employee benefits

In thousands of €	Pensions *		Other **	
	2017	2016	2017	2016
Present value of funded obligations	-200,724	-200,907	-52,183	-54,412
Fair value of plan assets	215,969	205,717	0	0
<b>Funded status of plans</b>	<b>15,245</b>	<b>4,810</b>	<b>-52,183</b>	<b>-54,412</b>
Effect of the asset ceiling	-15,000	0	0	0
Other	0	0	0	0
<b>Net employee benefit liability</b>	<b>245</b>	<b>4,810</b>	<b>-52,183</b>	<b>-54,412</b>
Of which assets	14,563	21,821	0	0
Of which liabilities	-14,318	-17,011	-52,183	-54,412

\* Pensions also include non-prefinanced early-retirement obligations.

\*\* The item 'Other' includes seniority bonuses as well as other post-employment benefits (reimbursement of medical expenses and tariff reductions)

## Movements in the present value of obligations

In thousands of €	Pensions *		Other **	
	2017	2016	2017	2016
<b>At the start of the period</b>	<b>-200,907</b>	<b>-143,165</b>	<b>-54,412</b>	<b>-55,763</b>
Transfer of defined contribution plans with a guaranteed minimum return	0	-23,166	0	0
Service costs	-7,218	-6,925	-1,681	-1,601
Early retirement costs	234	-1,056	0	0
Financial loss (-) / profit (+)	-2,195	-3,270	-721	-984
Participant's contributions	-1,892	-1,509	0	0
Change in demographic assumptions	-1,746	1,371	897	176
Change in financial assumptions	-1,308	-28,871	994	-4,212
Change from experience adjustments	2,926	-1,115	876	6,308
Past service costs	0	0	0	0
Benefits paid	9,992	6,924	1,864	1,664
Other	1,390	-125	0	0
<b>At the end of the period</b>	<b>-200,724</b>	<b>-200,907</b>	<b>-52,183</b>	<b>-54,412</b>

## Movements in the fair value of plan assets

In thousands of €	Pensions *		Other **	
	2017	2016	2017	2016
<b>At the start of the period</b>	<b>205,717</b>	<b>160,399</b>	<b>0</b>	<b>0</b>
Transfer of defined contribution pension plans, with a guaranteed minimum return	0	23,166	0	0
Interest income	2,198	3,500	0	0
Return on plan assets (excluding net interest income)	10,342	16,766	0	0
Employer's contributions	7,121	7,211	1,864	1,664
Participants' contributions	1,892	1,509	0	0
Benefits paid	-9,992	-6,924	-1,864	-1,664
Other	-1,309	90	0	0
<b>At the end of the period</b>	<b>215,969</b>	<b>205,717</b>	<b>0</b>	<b>0</b>
<b>Actual return on plan assets</b>	<b>12,540</b>	<b>20,266</b>	<b>0</b>	<b>0</b>

In Belgium, defined contribution plans with a minimum guaranteed return are valued and accounted for using the method used for defined benefit plans. They are included in the aforementioned tables.

### Costs recognised in profit or loss

In thousands of €	Pensions *		Other **	
	2017	2016	2017	2016
<b>Cost</b>				
Service costs	-7,218	-6,925	-1,681	-1,601
Early retirement costs	234	-1,056	0	0
Past service costs	0	0	0	0
Actuarial gains/(losses) on other long-term benefits	0	0	1,469	592
<b>Net interest on net liabilities/(assets)</b>				
Interest expense on obligations	-2,195	-3,270	-721	-984
Interest income on plan assets	2,198	3,500	0	0
<b>Costs recognised in profit or loss</b>	<b>-6,981</b>	<b>-7,751</b>	<b>-933</b>	<b>-1,993</b>

### Actuarial losses (gains) recognised in other comprehensive income

In thousands of €	Pensions *		Other **	
	2017	2016	2017	2016
Change in demographic assumptions	-1,746	1,371	897	176
Change in financial assumptions	-1,308	-28,871	-475	-4,804
Change from experience adjustments	2,926	-1,115	876	6,308
Effect of the asset ceiling	-15,000	0	0	0
Return on plan assets (excluding net interest income)	10,342	16,766	0	0
<b>Actuarial losses (gains) recognised in other comprehensive income</b>	<b>-4,786</b>	<b>-11,849</b>	<b>1,298</b>	<b>1,680</b>

### Allocation of obligation by type of participant to the plan

In thousands of €	2017	2016
Active plan participants	-212,509	-220,521
Non-active participants with deferred benefits	-11,288	-4,447
Retirees and beneficiaries	-29,110	-30,351
<b>Total</b>	<b>-252,907</b>	<b>-255,319</b>

### Allocation of obligation by type of benefit

In thousands of €	2017	2016
Retirement and death benefits	-200,724	-200,907
Other post-employment benefits (medical expenses and tariff reductions)	-32,081	-33,203
Seniority bonuses	-20,102	-21,209
<b>Total</b>	<b>-252,907</b>	<b>-255,319</b>

## Main actuarial assumptions used

	2016	2015
Discount rate between 10 to 12 years	0.90 %	1.03 %
Discount rate between 13 to 19 years	1.73 %	1.55 %
Discount rate over 19 years	1.81 %	1.55 %
Expected average salary increase	1.75 %	1.75 %
Expected inflation	1.75 %	1.75 %
Expected increase in health expenses	2.75 %	2.75 %
Expected increase of tariff advantages	1.75 %	1.75 %
Average assumed retirement age	63(BAR)/65(CAD)	63(BAR)/65(CAD)
Mortality tables	Prospective IABE	Prospective IABE
Life expectancy in years:		
For a person aged 65 at the balance sheet date:		
- Male	20	20
- Female	24	24
For a person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

The discount rate used depends on their estimated average duration.

## The fair value of plan assets per major category

	2017	2016
<b>Listed investments</b>	<b>80.81%</b>	<b>88.33 %</b>
Shares - eurozone	15.65%	20.87 %
Shares - outside eurozone	21.08%	25.77 %
Government bonds - eurozone	4.91%	0.92 %
Other bonds - eurozone	30.97%	21.24 %
Other bonds - outside eurozone	8.20%	19.53 %
<b>Non-listed investments</b>	<b>19.19%</b>	<b>11.67 %</b>
Insurance contracts	0.00%	0.04 %
Real estate	3.74%	4.70 %
Cash and cash equivalents	0.96%	0.07 %
Other	14.49%	6.86 %
<b>Total (in %)</b>	<b>100.00 %</b>	<b>100.00 %</b>
<b>Total (in thousands of €)</b>	<b>215,969</b>	<b>205,717</b>

## Sensitivity analysis

Impact on obligation	In thousands of €
	Increase (-) / Decrease (+)
Increase in discount rate (0.5%)	12,774
Average salary increase - Excluding inflation (0.5%)	-14,235
Increase in inflation rate (0.25%)	-5,639
Increase in healthcare benefits (1%)	-4,068
Increase in tariff benefits (0.5%)	-1,351
Increase in life expectancy of retirees (1 year)	-1,849



### Average weighted duration of obligations

	2017	2016
Average weighted duration of defined benefit obligations	11	10
Average weighted duration of other obligations	19	17

### Estimate of the contributions to be paid for the-legal pensions

	In thousands of €
Expected contribution in 2018	7,193

Contributions to be paid are based on changes in the payroll of the concerned population.

## Note 5.15. Deferred tax assets and liabilities

Recognised deferred tax liabilities	In thousands of €	
	31-12-2017	31-12-2016
Valuation of assets	504,055	653,792
Accrued income	1,376	3,028
Fair value of financial instruments	262	-2,980
Provisions for employee benefits or provisions not accounted for under IFRS	29,977	28,836
Other normative differences	1,352	5,659
<b>Total</b>	<b>537,022</b>	<b>688,335</b>

Deferred tax assets and liabilities are offset within each taxable entity.

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment and intangible assets. This difference comes from the fair value accounting of property, plant and equipment and intangible assets within the scope of business combination transactions (IFRS 3).

Provisions made in accordance with IAS 19 (Employee benefits) and provisions recognised under local GAAP but not recognised under IFRS are another major source of deferred tax.

Finally, the valuation at fair value of financial instruments also generates deferred tax accounting. These instruments are primarily composed of instruments to hedge the interest rate risk and currency futures. Reference is made to the Note on financial instruments for more information on this subject.

The corporate tax reform in Belgium generated, in 2017, a non-recurring revision of deferred taxes accounted for in the past. This downwards revision of deferred taxes is accounted for via the other items of the comprehensive income for the part concerning operations that are usually accounted for in this statement, i.e. the revaluation of property, plant and equipment (€37.7 million), the deferred taxation of capital gains on property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.7 million). The balance of this revision is accounted for in the net profit/loss for the period (€31.8 million - see Note 4.7.2).

Movement for the period	In thousands of €	
	Notes	Deferred tax
<b>Total income tax expense deferred as at 31-12-2016</b>		<b>688,335</b>
Deferred tax expenses – Profit & loss account	4.7.2	-100,268
Deferred tax expenses – other comprehensive income		-33,764
Business combinations		0
Changes in the consolidation scope		0
Translation adjustments		-17,281
Other		0
<b>Total income tax expense deferred as at 31-12-2017</b>		<b>537,022</b>

## Note 5.16. Trade and other liabilities

Trade and other liabilities	In thousands of €	
	31-12-2017	31-12-2016
Trade payables	70,177	82,443
Payroll and related items	32,828	32,921
Other payables	18,687	17,258
<b>Total</b>	<b>121,692</b>	<b>132,622</b>

The trade debts included, in 2016, the invoices yet to be received relating to current investments in the Zeebrugge LNG Terminal.

## Note 6. Financial instruments

### Principles for managing financial risks

In the course of conducting its activities, the Fluxys Group is exposed to credit and counterparty risks, liquidity and interest rate risks and foreign exchange and market risks, all of which affect its assets and liabilities.

The group's administrative organisation, controlling and financial reports ensure that these risks are constantly monitored and managed.

The group may only use financial instruments for hedging, and not for speculative or trading purposes. All transactions are intended to meet the group's liquidity needs: no transaction may be entered into for the sole purpose of earning a speculative gain.

### Cash management policy

The Fluxys Group's cash is managed as part of a general policy that was approved by the Board of Directors.

The objective of this policy is to optimise the group's cash positions. Transactions are entered into at market terms and conditions.

If required, the group can borrow on a short- medium- or long-term basis to respond to its cash requirements.

Cash surpluses are largely allocated to the operational needs and to development projects of the Fluxys Group's companies. These investments are subject to constant monitoring and risk analysis on a case-by-case basis.

Cash surpluses other than those referred to above are kept either at first class financial institutions or invested in financial instruments issued by entities with a high credit rating or in financial instruments of issuers which are covered by a guarantee from a European Member State or whose share capital is predominantly controlled by state-owned entities. Cash surpluses are invested following a competitive bidding award, and in instruments that are sufficiently diversified to limit counterparty risk concentration.

As at 31.12.2017, current investments, cash and cash equivalents amounts to €509,456 thousand compared to €442,366 thousand as at 31-12-2016. In October 2017, Fluxys Belgium proceeded with the issue of bonds in anticipation of the repayment of the bond maturing in May 2018, which explains the aforementioned increase in cash investments.

### **Credit and counterparty risks**

The group systematically assesses its counterparties' financial capacity and systematically monitors receivables. Group policy regarding counterparty risks requires that the group submits potential customers and suppliers to a detailed preliminary financial analysis (liquidity, solvency, profitability, reputation and risks). The group uses internal and external information sources, such as official analysis performed by rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess entities in relation to risk and award them a credit score. The group also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers.

In addition, for most of its activities the group is allowed to contractually require guarantees (either bank guarantees or cash deposits) from counterparties. The group thereby reduces its exposure to credit risk both in terms of default and concentration of customers.

As regards the concentration risk, it must be noted that three clients contribute 26%, 15% and 7% to the operating revenue. The breakdown of these by activity amounts to €356 million in transmission, €27 million in storage and €99 million in terminalling.

## Foreign exchange risk

The currency used by the group is the euro.

Group policy requires that all foreign currency assets and liabilities are hedged. Residual foreign currency positions may remain open for short periods, provided that they involve the group's main currencies.

The group is exposed to CHF/EUR currency fluctuation risks primarily because of its stake in FluxSwiss. This net investment in a Swiss business has been hedged through currency forward contracts. These financial instruments are qualified as hedging instruments. The variation in value of these latter has a direct impact on equity.

Intragroup loans to our subsidiaries in Switzerland and the UK are covered either through cross currency interest rate swaps or currency forward contracts. These instruments are a natural hedge for the risk incurred by the group with regard to CHF/EUR and GBP/EUR currency fluctuations. The variation in value of these latter instruments is accounted for in the profit/loss for the period.

The group is exposed to SEK/EUR currency fluctuation risks because of its holding in Swedegas. This net investment in business in Sweden has been hedged through currency forward contracts. These financial instruments are qualified as hedging instruments. The variation in value of these latter has a direct impact on equity.

The group is also exposed to USD/EUR currency fluctuation risks primarily because of its stake in LNG Link Investment AS. This net investment in a Norwegian business has been hedged through currency forward contracts. These financial instruments are qualified as hedging instruments. The variation in value of these latter has a direct impact on equity.

The fair value of hedging instruments for 'CHF', 'SEK' and 'USD' is recorded in the assets of the balance sheet under the items 'other financial assets' for an amount of €9,175 thousand as at 31-12-2017 compared to €861 thousand as at 31-12-2016 and in the liabilities of the balance sheet under the items 'other financial liabilities' for an amount of €69 thousand as at 31-12-2017 compared to €2,943 thousand as at 31-12-2016. The notional amounts covered as at 31-12-2017 come respectively to CHF 120.9 million; SEK 721.8 million and USD 3.3 million compared with CHF 144.4 million, SEK 795.3 million and USD 3.3 million as at 31-12-2016 whilst the maturities are between 2018 and 2026.

#### **Sensitivity analysis:**

Outside hedging instruments, a 10% variation in the CHF exchange rate would have an impact in 2017 of €20.7 million on equity whilst a 10% variation in the GBP exchange rate would have an impact of €12.3 million on equity attributable to the shareholders of the parent company. This impact is determined based on the net assets of the companies concerned on the balance sheet date.

#### **Interest rate risk**

The group's debt is €3,361,139 thousand as at 31-12-2017 compared with €3,177,188 thousand as at 31-12-2016. It mainly consists of loans which mature between 2018 and 2045 (see Note 5.12).

Loans taken out by FluxSwiss, Transitgas, and Interconnector (UK), as well as part of TENP KG's loans are financed with variable rates over the short term.

In order to manage this risk exposure, the companies have caps and interest rate swap contracts destined to exchange this variable rate for a fixed rate. These financial instruments are qualified as hedging instruments. The variation in value of these latter has a direct impact on equity insofar as it concerns the effective part of the hedge.

The fair value of FluxSwiss and Transitgas' Cap financial instruments is €1,289 thousand and €217 thousand respectively as at 31-12-2017 and they are included in the assets in the balance sheet in 'other financial assets'. The notional amount covered comes to CHF 375.9 million as at 31-12-2017.

The fair value of these IRS financial instruments is included in the liabilities side of the balance sheet under the item 'other financial liabilities' and comes to €1,674 thousand as at 31-12-2017 compared to €20,037 thousand as at 31-12-2016. The notional amount covered comes to GBP 35.0 million and €72.3 million as at 31-12-2017 whilst maturities are between 2018 and 2024.

In 2017, FluxSwiss and Transitgas proceeded to renegotiate their loans and at the same time to unwind the cash-flow hedge instruments, these interest-rate swaps no longer being entirely effective in a negative interest rate environment. This explains the decrease in other financial liabilities. The cost of the resolution of the 'interest rate swaps' is progressively recycled into the financial results (see Note 4.5.1). The balance to be recycled into the results comes to €12,308 thousand as at the end of December 2017.

In addition, the group's interest-bearing liabilities include liabilities to be used within the regulatory framework. These latter bear interest. The group does not incur any interest rate risks related to this.

**Sensitivity analysis:**

Outside hedging instruments, a variation of 100 base points in interest rates on financing would have an impact on financial results in 2017 of €1.6 million compared with €2.1 million for FluxSwiss in the previous year; of €1.5 million compared with €1.7 million for Transitgas; of €0.4 million compared with €0.7 million for Interconnector (UK) and of €0.7 million for the two years in TENP KG.

**Liquidity Risk**

Liquidity risk management is one of Fluxys group's main objectives. The amounts invested and the investment period reflect the short- and long-term planning of cash needs as closely as possible, taking into account operational risks.

The Fluxys group entered into financial covenants which were fulfilled by the group as at 31-12-2017, for an amount of €326,0 million. These contractual clauses provide for a minimum level of equity, ratios of cash flow against interests payable and cash flow against net debt.

The maturity of interest-bearing liabilities is reported in Note 5.12.

**Cash facilities**

The group has cash facilities for an amount of €612.5 million as at 31-12-2017, unchanged as compared with 2016.



## 6.1 Summary of financial instruments at balance sheet date

In thousands of €

31-12-2017	Category	Book value	Fair value	Level
<b>I. Non-current assets</b>				
Other financial assets – Category 3 derivative instruments	3*	9,801	9,801	2
Other financial assets – Category 2 derivative instruments	2*	0	0	2
Investment securities at fair value through income statement	2	81,092	81,092	1 & 2
Other financial assets	1	3,030	3,030	2
Loans and receivables	1	468,264	484,897	2
<b>II. Current assets</b>				
Other financial assets – Category 3 derivative instruments	3*	880	880	2
Other financial assets – Category 2 derivative instruments	2*	3,208	3,208	2
Trade and other receivables	1	210,073	210,073	2
Cash investments	1 & 2	162,696	162,696	1 & 2
Cash and cash equivalents	1 & 2	265,668	265,668	1 & 2
<b>Total financial instruments – assets</b>		<b>1,204,712</b>	<b>1,221,345</b>	
<b>I. Non-current liabilities</b>				
Interest-bearing liabilities	1	2,723,882	2,788,978	2
Other financial liabilities – Derivative instruments	2 & 3**	2,006	2,006	2
<b>II. Current liabilities</b>				
Interest-bearing liabilities	1	637,257	629,594	2
Other financial liabilities – Derivative instruments	3**	0	0	2
Trade and other payables	1	121,692	121,692	2
<b>Total financial instruments - liabilities</b>		<b>3,484,837</b>	<b>3,542,270</b>	

\* The detail of these financial instruments is provided in Table 6.3

\*\* The detail of these financial instruments is provided in Table 6.5

**The categories correspond to the following financial instruments:**

1. Financial assets (including loans and receivables) or financial liabilities at depreciated cost.
2. Assets or liabilities at fair value through profit or loss.
3. Assets or liabilities at fair value through equity.

6.2 Summary of financial instruments at balance sheet date				In thousands of €	
31-12-2016	Category	Book value	Fair value	Level	
<b>I. Non-current assets</b>					
Other financial assets – Category 3 derivative instruments	3*	12	12	2	
Other financial assets – Category 2 derivative instruments	2*	2,413	2,413	2	
Investment securities at fair value through income statement	2	56,934	56,934	1 & 2	
Other financial assets	1	3,051	3,051	2	
Loans and receivables	1	332,377	349,891	2	
<b>II. Current assets</b>					
Other current financial assets – Derivative instruments	3*	6,144	6,144	2	
Trade and other receivables	1	167,746	167,746	2	
Cash investments	1 & 2	105,348	105,348	1 & 2	
Cash and cash equivalents	1 & 2	280,084	280,084	1 & 2	
<b>Total financial instruments – assets</b>		<b>954,109</b>	<b>971,623</b>		
<b>I. Non-current liabilities</b>					
Interest-bearing liabilities	1	2,603,921	2,676,860	2	
Other financial liabilities – Derivative instruments	3**	27,688	27,688	2	
<b>II. Current liabilities</b>					
Interest-bearing liabilities	1	573,267	578,740	2	
Other financial liabilities – Derivative instruments	3**	542	542	2	
Trade and other payables	1	132,622	132,622	2	
<b>Total financial instruments - liabilities</b>		<b>3,338,040</b>	<b>3,416,452</b>		

\* The detail of these financial instruments is provided in Table 6.3

\*\* The detail of these financial instruments is provided in Table 6.5

6.3 Detail of fair value of derivative instruments in assets		In thousands of €	
Derivative instruments designated as hedging instruments	As at 31-12-2017	As at 31-12-2016	
Foreign exchange swaps and forwards - Hedging of net foreign investments	9,175	861	
Interest rate swaps - Cash flow hedges	1,506	0	
<b>Total of instruments designated as hedging instruments of which:</b>	<b>10,681</b>	<b>861</b>	
Non-current	9,801	12	
Current	880	849	
<b>Derivative instruments not designated as hedging instruments</b>	<b>As at 31-12-2017</b>	<b>As at 31-12-2016</b>	
Cross currency interest rate swaps	0	0	
Foreign exchange swaps and forwards	3,208	7,708	
<b>Total of instruments not designated as hedging instruments of which:</b>	<b>3,208</b>	<b>7,708</b>	
Non-current	0	2,413	
Current	3,208	5,295	
<b>Total of derivate instruments in assets of which:</b>	<b>13,889</b>	<b>8,569</b>	
Non-current	9,801	2,425	
Current	4,088	6,144	

6.4 Maturity of derivative instruments in assets		In thousands of €	
	As at 31-12-2017	As at 31-12-2016	
Up to one year	4,088	6,144	
One to five years	3,726	2,400	
More than five years	6,075	25	
<b>Total</b>	<b>13,889</b>	<b>8,569</b>	

<b>6.5 Detail of fair value of derivate instruments in liabilities</b>		In thousands of €	
<b>Derivative instruments designated as hedging instruments</b>	<b>As at 31-12-2017</b>	<b>As at 31-12-2016</b>	
Foreign exchange swaps - Hedging of net foreign investments	69	2,943	
Interest rate swaps - Cash flow hedges	1,674	20,037	
<b>Total of instruments designated as hedging instruments of which:</b>	<b>1,743</b>	<b>22,980</b>	
Non-current	1,743	22,438	
Current	0	542	
<b>Derivative instruments not designated as hedging instruments</b>	<b>As at 31-12-2017</b>	<b>As at 31-12-2016</b>	
Cross currency interest rate swaps	263	5,250	
<b>Total of instruments not designated as hedging instruments of which:</b>	<b>263</b>	<b>5,250</b>	
Non-current	263	5,250	
Current	0	0	
<b>Total of derivate instruments in liabilities of which:</b>	<b>2,006</b>	<b>28,230</b>	
Non-current	2,006	27,688	
Current	0	542	

<b>6.6 Maturity of derivate instruments in liabilities</b>		In thousands of €	
	<b>As at 31-12-2017</b>	<b>As at 31-12-2016</b>	
Up to one year	0	542	
One to five years	1,579	4,319	
More than 5 years	427	23,369	
<b>Total</b>	<b>2,006</b>	<b>28,230</b>	

All of the group's financial instruments fall within Levels 1 and 2 of the fair value hierarchy. Their fair value is measured on a recurring basis.

Level 1 of the fair value hierarchy includes short-term investments and cash equivalents whose fair value is based on quoted prices. They consist mainly of bonds.

Level 2 of the fair value hierarchy includes other financial assets and liabilities whose fair value is based on other inputs that are observable for the asset or liability, either directly or indirectly.

The techniques for measuring the fair value of Level 2 financial instruments are as follows:

- The items 'Interest-bearing liabilities' include the fixed-rate bonds whose fair value is determined based on active market rates, usually provided by financial institutions.
- The items 'Other financial assets' and 'Other financial liabilities' include derivative instruments whose fair value is determined based on active market rates, usually provided by financial institutions.
- The fair value of other financial assets and liabilities categorised under level 2 is largely identical to their book value:
  - either because they have a short-term maturity (such as trade receivables and payables), or
  - because they bear interest at the market rate at the closing date of the financial statements.

## Note 7. Contingent assets and liabilities – rights and liabilities of the group

### 7.1. Litigation

#### Litigation regarding the oil business

Pursuant to an agreement signed on 9 November 1979, the Belgian State commissioned Fluxys Belgium SA (formerly Distrigas) to negotiate the purchase of crude oil with the Kingdom of Saudi Arabia. Fluxys Belgium SA accepted this assignment provided that the Belgian State covered the costs, losses and all risks inherent to this assignment.

As part of the decision to discontinue the oil business, appeals were lodged against the Belgian State and Fluxys Belgium SA.

The risk incurred by Fluxys Belgium SA is covered by a guarantee from the Belgian State (Royal Decree of 3 February 1981 - Belgian Official Gazette of 17 February 1981) pursuant to the agreement of 9 November 1979 between the Belgian State and Fluxys Belgium SA and the letter of 30 December 1983 from the Ministers for Finance and Economic Affairs.

#### Other litigation

- Ghislenghien: As announced in 2011, Fluxys Belgium has undertaken, in agreement with insurers and other responsible parties, to proceed to the final compensation of private victims of the accident which occurred at Ghislenghien in 2004. Although most of the victims were compensated in 2012, some cases are still open. Fluxys Belgium conducts an evaluation of these cases as they evolve. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2017.
- Claim relating to the 'Open Rack Vaporiser' investment: A compensation claim for additional works was introduced by a supplier in the scope of the investment 'Open Rack Vaporiser' made by Fluxys LNG. The latter disputes this claim and an expert was appointed to assess the case. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2017.
- Other claims: Other claims arising from the operation of our facilities are in progress but their potential impact is immaterial.

## **7.2. Assets and items held for third parties, in their name, but at the risk and for the benefit of entities included in the consolidation scope**

In the ordinary course of business, the group holds gas belonging to its customers at its storage sites in Loenhout, in the pipelines and in the tanks at the LNG terminal in Zeebrugge.

## **7.3. Guarantees received**

Bank securities for the benefit of the group comprise guarantees received from contractors in respect of construction contracts as well as bank guarantees received from customers.

## **7.4. Guarantees provided by third parties on behalf of the entity**

Rental guarantees have been issued in favour of owners of assets leased by the group.

Other guarantees have been issued in Belgium for an amount of €137 thousand as at 31-12-2017.

## **7.5. Long-term leases and licence agreements**

The Fluxys Group also has licence agreements for third-party sites on which installations on which the group's installations are built. These agreements expire between 2018 and 2112. The group has also entered into lease agreements for offices and sites. The amount included in the profit/loss for the financial year appears in Note 4.3.2.

## **7.6. Commitments as part of the leases for Transitgas, Tenp and Interconnector (UK)**

As part of the leases for Transitgas and TENP, FluxSwiss and Fluxys TENP have committed to pay royalties due for the provision of 90% and 64.25% respectively of the capacity of these facilities. The end date of these leases is 2021, with the option to extend.

As part of the leasing agreements, Interconnector (UK) has committed to pay the royalties due for the provision of the facilities. The maturity of these investments is between 2018 and 2025. The agreement entered into with FL Zeebrugge provides for adherence to the contractual clauses which require renegotiation by the Interconnector (UK) group in 2018 in order to avoid default. An agreement in principle exists on the balance sheet date which solves this issue. Finally, in March 2018, IZT communicated its wish to extend the leasing contract with Fluxys Belgium for a duration of 5 years, in accordance with the option provided for in the contract.

## **7.7. Commitments under the capacity subscription agreements**

The Capacity Subscription Agreements (CSA) entered into with the terminal users of the Zeebrugge LNG terminal provide for 941 slots to be available from 2018 to 2027. In addition, Yamal Trade (a 100% subsidiary of Yamal LNG) and Fluxys LNG signed a 20-year contract for the transshipment of a maximum of 8 million tonnes of LNG per year at the port of Zeebrugge in Belgium.



### **7.8. Commitments in relation to loans and commitments to the European Investment Bank (EIB)**

The Fluxys Group was granted loans which contain contractual financial covenants which were fulfilled by the group as at 31-12-2017.

Finally, certain guarantees have been issued as part of financing agreements. These are primarily in the form of guarantees on revenue generated by the activity concerned, on trade receivables and on shares held.

### **7.9. Commitments with regard to projects under construction**

The Fluxys group has a stake in TAP. The group progressively provides the funds necessary for financing this investment under construction, either in the form of equity (€176 million already invested and €34 million anticipated in 2018), or in the form of shareholder loans (€354 million already invested, which needs to be repaid in 2018 when the external financing is closed). The Fluxys group will also finance the investments anticipated in the EUGAL project which are estimated at €183.0 million for the coming years.

### **7.10. Other given or received commitments**

Other liabilities have been made and received by the Fluxys group, but their potential impact is immaterial.

## Note 8. Related parties

The Fluxys Group is controlled by Publigas.

In 2017, the Fluxys Group executed joint operation transactions with Tenp KG and Transitgas and with associates, i.e. Balansys, Dunkerque LNG, Gaz-Opale, GasBridge 2, Swedegas and TAP.

Other related parties include transactions with Publigas (financing), SFPI (financing), SNAM (partner in GasBridge 1) and FluxSwiss shareholders as well as relations with administrators and members of the management team, the latter being charged with the management of the company and decisions on investments.

**Related parties**

In thousands of €

**31-12-2017**

	Parent company shareholders	Joint arrangements	Associates	Other related parties	Total
<b>I. Assets with related parties</b>	<b>44</b>	<b>564</b>	<b>358,118</b>	<b>0</b>	<b>358,726</b>
<b>1. Other financial assets</b>	<b>0</b>	<b>0</b>	<b>357,586</b>	<b>0</b>	<b>357,586</b>
1.1. Securities other than shares	0	0	0	0	0
1.2. Loans	0	0	357,586	0	357,586
<b>2. Other non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1. Finance leases	0	0	0	0	0
2.2. Other non-current receivables	0	0	0	0	0
<b>3. Trade and other receivables</b>	<b>44</b>	<b>564</b>	<b>532</b>	<b>0</b>	<b>1,140</b>
3.1. Clients	0	564	532	0	1,096
3.2. Finance leases	0	0	0	0	0
3.3. Other receivables	44	0	0	0	44
<b>4. Cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5. Other current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Liabilities with related parties</b>	<b>45,000</b>	<b>56,088</b>	<b>7,655</b>	<b>32,287</b>	<b>141,030</b>
<b>1. Interest-bearing liabilities (current and non-current)</b>	<b>45,000</b>	<b>55,461</b>	<b>0</b>	<b>32,287</b>	<b>132,748</b>
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	45,000	55,461	0	32,287	132,748
<b>2. Trade and other payables</b>	<b>0</b>	<b>627</b>	<b>7,655</b>	<b>0</b>	<b>8,282</b>
2.1. Trade payables	0	627	0	0	627
2.2. Other payables	0	0	7,655	0	7,655
<b>3. Other current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Related parties**

In thousands of €

**31-12-2016**

	Joint arrangements	Associates	Other related parties	Total
<b>I. Assets with related parties</b>	<b>0</b>	<b>212,420</b>	<b>0</b>	<b>212,420</b>
<b>1. Other financial assets</b>	<b>0</b>	<b>212,420</b>	<b>0</b>	<b>212,420</b>
1.1. Securities other than shares	0	0	0	0
1.2. Loans	0	212,420	0	212,420
<b>2. Other non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1. Finance leases	0	0	0	0
2.2. Other non-current receivables	0	0	0	0
<b>3. Trade and other receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3.1. Clients	0	0	0	0
3.2. Finance leases	0	0	0	0
3.3. Other receivables	0	0	0	0
<b>4. Cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5. Other current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Liabilities with related parties</b>	<b>60,409</b>	<b>9,122</b>	<b>35,539</b>	<b>105,070</b>
<b>1. Interest-bearing liabilities (current and non-current)</b>	<b>60,409</b>	<b>0</b>	<b>35,539</b>	<b>95,948</b>
1.1. Bank borrowings	0	0	0	0
1.2. Finance leases	0	0	0	0
1.3. Bank overdrafts	0	0	0	0
1.4. Other borrowings	60,409	0	35,539	95,948
<b>2. Trade and other payables</b>	<b>0</b>	<b>9,122</b>	<b>0</b>	<b>9,122</b>
2.1. Trade payables	0	0	0	0
2.2. Other payables	0	9,122	0	9,122
<b>3. Other current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Related parties**

In thousands of €

**31-12-2017**

	Parent company shareholders	Joint arrangements	Associates	Other related parties	Total
<b>III. Transactions with related parties</b>					
1. Sale of non-current assets	0	0	0	0	0
2. Purchase of non-current assets ( - )	0	0	0	0	0
3. Services rendered and goods delivered	0	700	1,845	0	2,545
4. Services received ( - )	0	0	0	0	0
5. Net financial income	-441	-1,260	5,053	-1,900	1,452
6. Directors' and senior executives' remuneration				2,765	2,765
of which short-term employee benefits				2,383	2,383
of which post-employment benefits				382	382

**Related parties**

In thousands of €

**31-12-2016**

	Joint arrange- ments	Associates	Other related parties	Total
<b>III. Transactions with related parties</b>				
1. Sale of non-current assets	0	0	0	0
2. Purchase of non-current assets ( - )	0	0	0	0
3. Services rendered and goods delivered	645	2,692	0	3,337
4. Services received ( - )	0	0	0	0
5. Net financial income	-1,445	2,812	-1,959	-592
6. Directors' and senior executives' remuneration			2,600	2,600
of which short-term employee benefits			2,263	2,263
of which post-employment benefits			337	337

## **Note 9. Directors' and senior executives' remuneration**

Pursuant to Article 14 of the Articles of Association, the Board of Directors of Fluxys SA comprises no more than 12 members, who can be natural persons or legal entities, shareholders or not, and appointed for six years as a maximum by the General Meeting of Shareholders.

The Fluxys Group has not granted any loans to administrators and the administrators have moreover not executed any unusual transactions with the group.

Reference is made to Note 8 for more information on this subject.

## **Note 10. Events after the balance sheet date**

Fluxys and Snam acquired, in March 2018, the 33.5% stake held by Caisse de dépôt et placement du Québec (CDPQ) in the Interconnector pipeline, for an amount of GBP 75 million. This transaction allows the CDPQ to incorporate the management of its stake in Interconnector into its 20% stake in Fluxys. Since this transaction, Fluxys and Snam are the only shareholders of the company with a stake of 76.32% and 23.68% respectively. As the initial long-term capacity contracts for the Interconnector pipeline mature in October 2018, the company is preparing for a new market environment in which short-term contracts and commercial flexibility prevail (see also Note 4.3.5.1).

## 4. Statutory auditor's report to the shareholders' meeting of Fluxys NV/SA on the consolidated financial statements for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of Fluxys NV/SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 10 May 2016, in accordance with the proposal of the board of directors. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Fluxys NV/SA for 8 consecutive periods.

### Report on the audit of the consolidated financial statements

#### Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 6.494.606 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 165.109 (000) EUR.

In our opinion, the consolidated financial statements of Fluxys NV/SA give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

**Basis for the unqualified opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the “Responsibilities of the statutory auditor for the audit of the consolidated financial statements” section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company’s officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

We draw attention to Note 1C Judgements and use of estimates and Note 4.3.5.1 Depreciations to the consolidated financial statements in which the judgements and uncertainties regarding the valuation and the depreciation pattern of the Interconnector (UK) pipeline are disclosed. Our opinion is not qualified in respect of this matter.

**Responsibilities of the board of directors for the consolidated financial statements**

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.



### **Responsibilities of the statutory auditor for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on other legal, regulatory and professional requirements**

### **Responsibilities of the board of directors**

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

### **Responsibilities of the statutory auditor**

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, as well as to report on this matter.

### **Aspects regarding the directors' report on the consolidated financial statements**

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement. We do not express any kind of assurance on the directors' report on the consolidated financial statements.

**Statements regarding independence**

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Antwerp, 18 April 2018

**The statutory auditor**

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**DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Jurgen Kesselaers





### **III. STATUTORY ACCOUNTS OF FLUXYS AS PER BELGIAN STANDARDS**

Given that Fluxys SA is essentially a holding company, holding the stakes at their book value, the unconsolidated annual accounts only give a limited view of the company's financial situation. As a result, the Board of Directors considered it appropriate to, in application of Article 105 of the Companies Code, to only publish an abridged version of the unconsolidated annual accounts as at 31 December 2017.

The statutory auditor has issued a report with an unqualified audit opinion on the statutory annual accounts of Fluxys SA.

These documents have been filed with the National Bank of Belgium.

They are available free of charge upon request at the following address:

Fluxys SA.

Communication Department

Avenue des Arts 31, 1040 Brussels

## 1. Balance sheet

Assets	In thousands of €	
	31-12-2017	31-12-2016
<b>Formation expenses</b>	<b>1,218</b>	<b>0</b>
<b>Fixed assets</b>	<b>1,691,255</b>	<b>1,826,474</b>
Intangible assets	0	0
Property, plant and equipment	459	571
Financial fixed assets	1,690,796	1,825,903
<b>Current assets</b>	<b>1,863,884</b>	<b>239,891</b>
Amounts receivable after more than one year	1,242,753	0
Stock and contracts in progress	0	0
Amounts receivable within one year	358,753	34,053
Cash investments	170,382	0
Cash at bank and in hand	77,539	205,834
Deferred charges and accrued income	14,457	4
<b>Total</b>	<b>3,556,357</b>	<b>2,066,365</b>

In the first half of 2017, Fluxys SA absorbed Fluxys Finance with retroactive effect in terms of tax and accounting to 1 January 2017. Fluxys SA now centralises the management of the Group's cash funds and financing.

<b>Equity and liabilities</b>	In thousands of €	
	<b>31-12-2017</b>	<b>31-12-2016</b>
<b>Equity</b>	<b>1,867,176</b>	<b>1,922,421</b>
Capital	1,701,617	1,701,341
Share premium account	81,164	81,131
Revaluation surpluses	0	0
Reserves	54,179	50,018
Accumulated profits (losses)	30,106	89,879
Capital subsidies	110	52
<b>Provisions and deferred taxes</b>	<b>144</b>	<b>177</b>
Provisions for liabilities and charges	105	150
Deferred tax	39	27
<b>Amounts payable</b>	<b>1,689,037</b>	<b>143,767</b>
Amounts payable after more than one year	770,948	0
Amounts payable within one year	902,854	143,767
Accrued charges and deferred income	15,235	0
<b>Total</b>	<b>3,556,357</b>	<b>2,066,365</b>



## 2. Income statement

Income statement	In thousands of €	
	31-12-2017	31-12-2016
Operating income	12,613	10,581
Operating charges	17,578	18,484
<b>Operating profit</b>	<b>-4,965</b>	<b>-7,903</b>
Financial income	113,533	134,774
Finance costs	22,107	25
<b>Net financial income</b>	<b>91,426</b>	<b>134,749</b>
<b>Earnings before taxes</b>	<b>86,461</b>	<b>126,846</b>
<b>Transfer from deferred taxes</b>	<b>9</b>	<b>7</b>
<b>Income tax expenses</b>	<b>3,242</b>	<b>32</b>
<b>Net profit/loss for the period</b>	<b>83,228</b>	<b>126,821</b>
<b>Transfer to untaxed reserves</b>	<b>0</b>	<b>0</b>
<b>Profit for the period available for appropriation</b>	<b>83,228</b>	<b>126,821</b>

The merger of Fluxys SA and Fluxys Finance has generated a profit accounted for (merger badwill) of €4,679 thousand in the item 'Operating income'.

The net profit/loss of Fluxys is €83,228 thousand compared to €126,821 thousand the previous year. The profit/loss for the financial year mainly consists of the dividends paid by Fluxys Belgium and the recognition of the aforementioned badwill. In 2016, the profit/loss also registered the dividends paid by Fluxys Finance and by Fluxys Europe, this latter not having distributed dividends in 2017.

### 3. Appropriation account

Appropriation account	In thousands of €	
	31-12-2017	31-12-2016
<b>Profit to be appropriated</b>	<b>173,107</b>	<b>234,969</b>
Profit for the period available for appropriation	83,228	126,821
Profit carried forward from the previous period	89,879	108,148
<b>Transfer from equity</b>	<b>0</b>	<b>0</b>
From reserves	0	0
<b>Transfer to equity</b>	<b>4,162</b>	<b>6,341</b>
To the legal reserve	4,162	6,341
To the other reserves	0	0
<b>Result to be carried forward</b>	<b>30,106</b>	<b>89,879</b>
Profit to be carried forward	30,106	89,879
<b>Profit to be distributed</b>	<b>138,839</b>	<b>138,749</b>
Dividends	138,839	138,749

## 4. Capital at the end of the period

Capital at the end of the period		In thousands of €	
		31-12-2017	
<b>Subscribed capital</b>			
At the end of the previous period		1,736,063	
At the end of the period		1,736,339	
<b>Capital represented by</b>			
Registered shares		86,816,972	
Dematerialised shares		0	
Bearer shares		0	
<b>Structure of shareholders</b>			
Shareholders	Type	Number of voting right declared	%
Publigas	Shares without nominal value	67,386,849	77,62 %
Caisse de dépôt et placement du Québec	Shares without nominal value	17,305,412	19,93 %
Federal Holding and Investment Company	Shares without nominal value	1,851,852	2,13 %
Members of staff and management	Shares without nominal value	272,859	0,32 %

## 5. Income taxes

Income taxes	In thousands of €
	<b>31-12-2017</b>
<b>Breakdown of heading 670/3</b>	
<b>Income taxes on the result of the current period</b>	<b>3,186</b>
Taxes and withholding taxes due or paid	3,604
Excess of income tax prepayments	-418
Estimated additional taxes	0
<b>Income taxes on previous periods</b>	<b>56</b>
Additional taxes due or paid	56
Additional taxes (estimated or provided for)	0
<b>Reconciliation between profit before taxes and estimated taxable profit</b>	
<b>Profit before taxes</b>	<b>86,461</b>
<b>Permanent differences:</b>	<b>-77,088</b>
Definitively taxed income	-72,068
Non-deductible expenses	200
Notional interest	-550
Badwill merger (Fluxys SA / Fluxys Finance)	-4,679
Transfer from deferred taxes	9
<b>Total</b>	<b>9,373</b>

## 6. Workforce

### 6.1. Headcount

#### A. Employees recorded in the personnel register

<b>1a During the current period</b>			
	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>Average number of employees</b>			
Full time	37,6	25,8	11,8
Part-time	11,0	7,0	4,0
Total in full-time equivalents (FTE)*	41,6	28,0	13,6
<b>Numbers of hours actually worked</b>			
Full time	59,092	41,680	17,412
Part-time	6,548	3,618	2,930
Total	65,640	45,298	20,342
<b>Employee expenses</b>			
Full time	5,620,350 €	4,109,665 €	1,510,685 €
Part-time	1,178,076 €	939,526 €	238,550 €
Total	6,798,426 €	5,049,191 €	1,749,235 €
<b>Advantages in addition to wages</b>	<b>44,290€</b>	<b>32,894€</b>	<b>11,396€</b>
<b>1b. During the previous period</b>			
	<b>Total</b>	<b>Men</b>	<b>Women</b>
Average number of employees (FTE)	37,2	24,0	13,2
Numbers of hours actually worked	59,383	39,112	20,271
Employee expenses	6,405,012 €	4,345,160 €	2,059,852 €
Advantages in addition to wages	22,731 €	15,421 €	7,310 €

## 2. At the closing of the period

	Full time	Part-time	Total FTE*
<b>a.</b> Employees recorded in the personnel register	40	11	44,0
<b>b.</b> By nature of the employment contract			
Contract for an indefinite period	38	11	42,0
Contract for a definite period	2	0	2,0
Contract for execution of a specifically assigned work	0	0	0,0
Replacement contract	0	0	0,0
<b>c.</b> According to gender and study level			
Men	27	7	29,2
Primary education	0	0	0,0
Secondary education	1	0	1,0
Higher non-university education	3	0	3,0
University education	23	7	25,2
Women	13	4	14,8
Primary education	0	0	0,0
Secondary education	0	0	0,0
Higher non-university education	3	3	4,5
University education	10	1	10,3
<b>d.</b> By professional category			
Management	30	9	32,7
Employees	10	2	11,3
Workers	0	0	0,0
Other	0	0	0,0

\*full-time equivalent

## B.Hired temporary staff and personnel placed at the enterprise's disposal

During the current period	Hired temporary staff	Personnel placed at the enterprise's disposal
Average number of persons employed	0,1	0,0
Numbers of hours actually worked	281	0,0
Costs for the enterprise	11,020 €	0,0 €

## 6.2. Table of movements in personnel during the period

	Full time	Part-time	Total FTE*
<b>Entries</b>			
a. Employees recorded in the personnel register	10	0	10,0
<b>b. By nature of the employment contract</b>			
Contract for an indefinite period	9	0	9,0
Contract for a definite period	1	0	1,0
Contract for execution of a specifically assigned work	0	0	0,0
Replacement contract	0	0	0,0
<b>Exits</b>			
a. Employees whose contract end-date has been recorded in the personnel register in this financial year	5	1	5,8
<b>b. By nature of the employment contract</b>			
Contract for an indefinite period	5	1	5,8
Contract for a definite period	0	0	0,0
Contract for execution of a specifically assigned work	0	0	0,0
Replacement contract	0	0	0,0
<b>c. By reason of termination of contract</b>			
Retirement	0	0	0,0
Early retirement	0	0	0,0
Dismissal	0	0	0,0
Other reason	5	1	5,8
Of which: the number of persons who continue to render services to the company at least half-time on a self-employed basis	0	0	0,0

\*full-time equivalent



### 6.3. Information on training provided to employees during the period

	Men	Women
<b>Initiatives in formal continued professional development at the expense of the employer</b>		
Number of employees involved	27	14
Numbers of actual training hours	688	327
Net costs for the enterprise	116,860 €	52,307 €
Of which gross costs directly linked to training	116,860 €	52,307 €
Of which fees paid and payments to collective funds	0 €	0 €
Of which subsidies and other financial advantages received (to deduct)	0 €	0 €
<b>Total of initiatives of less formal or informal professional training at the expense of the employer</b>		
Number of employees involved	25	13
Numbers of actual training hours	918	273
Net costs for the enterprise	95,112 €	21,235 €
<b>Total of initiatives of initial professional training at the expense of the employer</b>		
Number of employees involved	0	0
Numbers of actual training hours	0	0
Net costs for the enterprise	0 €	0 €

## GLOSSARY

### **Pertinence of published financial ratios**

#### **See point 3.1 of the director's report**

The Fluxys group continually evaluates its financial solidity, in particular using the following financial ratios:

- Solvency: The ratio between net financial debt and the sum of equity and net financial debt indicates the solidity of Fluxys Group's financial structure.
- Interest coverage: The ratio between FFO before interest expenses and interest expenses represents the group's capacity to cover its interest expenses with its operating activities.
- Net financial debt/Extended RAB: This ratio expresses the share of the extended RAB financed by external debt.
- FFO/Net financial debt: This ratio is used to determine the Group's capacity to pay off its debts based on cash generated by its operating activities.
- RCF/Net financial debt: This ratio is used to determine the Group's capacity to pay off its debts based on cash generated by its operating activities after payment of dividends.

## Definition of indicators

Some indicators have been amended or added this year in order to align the financial ratios with the expectations of external investors. The calculation method has also been adapted to these expectations (EBIT and EBITDA).

### **Other tangible investments outside RAB**

Average combined investments in property, plant and equipment related to the extensions of the Zeebrugge LNG terminal and non-regulated activities.

### **Net financial expenses**

Interest expenses net of finance income on leases, interest income on investments and cash equivalents and other interest income, excluding interest on regulatory assets.

### **Interest expenses**

Borrowing interest costs net of interest on regulatory liabilities.

### **EBIT**

Earnings Before Interests and Taxes or profit/loss from continuing operations, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

### **EBITDA**

Earnings Before Interests, Taxes, Depreciation and Amortization or profit/loss from continuing operations, before depreciation, amortization, impairment and provisions, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

### **Net financial debt**

Interest-bearing liabilities net of regulatory liabilities, non-current debt-related loans, cash from early refinancing operations and 75% of the balance of cash, cash equivalents and non-current and current cash investments.

**FFO**

Funds from Operations or profit/loss from continuing operations, excluding changes in regulatory assets and liabilities, before depreciation, amortization, impairment and provisions, to which dividends received from associates and joint ventures and unconsolidated entities are added, and from which net financial expenses and current tax are deducted.

**RAB**

Average Regulated Asset Base or average value of the regulated asset base for the year.

**Extended RAB**

Total RAB and other tangible investments outside RAB.

**RCF**

Retained Cash-Flow or FFO net of dividends paid.

**WACC**

Weighted Average Cost of Capital.

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Notes</b>
Profit/loss from continuing operations	240,295	256,274	4
Net depreciation	419,367	424,435	4.3.5
Net provisions	-6,400	-5,882	4.3.5
Impairment losses	-831	-2,009	4.3.5
Earnings from associates and joint ventures	15,294	-4,711	4.6
Dividends from unconsolidated entities	9	9	4.4
<b>EBITDA in thousands of €</b>	<b>667,734</b>	<b>668,116</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Notes</b>
Profit/loss from continuing operations	240,295	256,274	4
Earnings from associates and joint ventures	15,294	-4,711	4.6
Dividends from unconsolidated entities	9	9	4.4
<b>EBIT in thousands of €</b>	<b>255,598</b>	<b>251,572</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Notes</b>
Financial income from lease contracts	0	0	4.4
Interest income on investments, cash and cash equivalents at fair value through profit and loss	7,801	7,520	4.4
Other interest income	6,652	4,277	4.4.1
Borrowing interest costs	-81,069	-98,723	4.5.1
Interest on regulatory assets and liabilities	862	1,549	
<b>Net financial expenses in thousands of €</b>	<b>-65,754</b>	<b>-85,377</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Notes</b>
Borrowing interest costs	-81,069	-98,723	4.5.1
Interest on regulatory liabilities	1,907	2,868	
<b>Interest expenses in thousands of €</b>	<b>-79,162</b>	<b>-95,855</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Notes</b>
Profit/loss from continuing operations	240,295	256,274	4
Operating revenue - Movements in regulatory assets and liabilities	58,302	42,938	
Net depreciation	419,367	424,435	4.3.5
Net provisions	-6,400	-5,882	4.3.5
Impairment losses	-831	-2,009	4.3.5
Inflows related to associates and joint ventures	148	9,444	
Dividends from unconsolidated entities	9	9	4.4
Netto financieringskosten	-65,754	-85,377	
Current tax	-113,262	-117,613	4.7.1
<b>FFO in thousands of €</b>	<b>531.874</b>	<b>522.219</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Notes</b>
FFO	531,874	522,219	
Dividends paid	-199.385	-207.979	
<b>RCF</b>	<b>332.489</b>	<b>314.240</b>	

Fluxys SA consolidated balance sheet in thousands of €	31.12.2017	31.12.2016	Notes
Non-current interest-bearing liabilities	2,723,882	2,603,921	5.12
Current interest-bearing liabilities	637,257	573,267	5.12
Other financing (current)	-20,361	-4,423	5.12
Other financing (non-current)	-157,538	-102,953	5.12
Other liabilities (current)	-57,918	-34,138	5.12
Other liabilities (non-current)	-352,055	-399,675	5.12
Non-current loan	-110,673	-119,953	5.6.1
Cash investments (75%)	-122,022	-79,011	5.9
Cash and cash equivalents (75%)	-199,251	-210,063	5.9
Other financial assets (75%)	-60,819	-42,701	5.5.2
<b>Net financial debt in thousands of €</b>	<b>2,280,502</b>	<b>2,184,271</b>	

Fluxys SA consolidated balance sheet in thousands of €	31.12.2017	31.12.2016	Notes
<b>Transmission</b>	<b>2,802.4</b>	<b>2,829.2</b>	
Transmission - Fluxys Belgium	2,257.9	2,302.4	
Transmission - Fluxys TENP	11.9	15.0	
Transmission - TENP	255.5	272.8	
Transmission - Fluxys Deutschland	277.1	239.0	
<b>Storage</b>	<b>253.3</b>	<b>259.0</b>	
<b>LNG terminalling</b>	<b>328.0</b>	<b>348.0</b>	
<b>Other tangible investments outside RAB</b>	<b>1,647.7</b>	<b>1,789.8</b>	
<b>Extended RAB in millions of €</b>	<b>5,031.4</b>	<b>5,226.0</b>	

In Belgium, the Regulated Asset Base (RAB) is determined based on the average book value of the fixed assets over the period, increased mainly by the cumulated accounting depreciation of the revaluation. The computation is done in accordance with the tariff methodology published by CREG.





**Questions about financial or accounting data**

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**Photography**

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This report is also available in Dutch and French. For a copy in these languages, please contact the  
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